



Navigator Schools

Audit Committee Meeting

Date and Time

Thursday March 5, 2026 at 4:30 PM PST

Location

Google Meet joining info

Video call link: <https://meet.google.com/cqs-ozko-ivu>

Or dial: (US) +1 601-688-3330 PIN: 770 441 093#

More phone numbers: <https://tel.meet/cqs-ozko-ivu?pin=1467681293624>

Navigator Schools - Audit Committee Meeting

Thursday, March 5 · 4:30 – 5:30pm

Time zone: America/Los_Angeles

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Video call link: <https://meet.google.com/cqs-ozko-ivu>

Or dial: (US) +1 601-688-3330 PIN: 770 441 093#

More phone numbers: <https://tel.meet/cqs-ozko-ivu?pin=1467681293624>

Agenda

	Purpose	Presenter	Time
I. Opening Items			4:30 PM
A. Call the Meeting to Order Jan Mazyck, Committee Chair, will call the meeting to order.		Jan Mazyck	1 m
B. Record Attendance & Guests Jan Mazyck, Committee Chair, will identify guests and hold a roll-call vote to take attendance.	Vote	Jan Mazyck	1 m
C. Approve Minutes from Prior Meeting Committee members will participate in a roll-call vote on the approval of prior minutes. Approve minutes for Audit Committee Meeting on July 14, 2025	Approve Minutes	Jan Mazyck	1 m
D. Committee Chair Update The Committee Chair will share updates with the Committee.		Jan Mazyck	3 m
E. Chief Financial and Operating Officer Update Noël Russell-Unterburger, Chief Financial and Operating Officer, will review BR_2024.10 and will share updates with the Committee.		Noël Russell-Unterburger	5 m
F. Public Comments The Committee Chair will entertain public comments, if any.		Jan Mazyck	3 m
II. Audit Committee			4:44 PM
A. Fiscal Year 2025 Audit Report Green, Hasson & Janks (GHJ) will present the 2025 Audit Report to the Committee for its review, will address any questions from the Committee, and the Committee will consider a vote to accept the audit.	Vote	Noël Russell-Unterburger	20 m
B. Approval of Auditor for Fiscal Years 2025–2026	Vote	Noël Russell-Unterburger	5 m

	Purpose	Presenter	Time
<p>The Committee will consider a recommendation to the Board for the approval of Green, Hasson & Janks (GHJ) to conduct the audit for the 2026 fiscal year.</p>			

<p>C. Auditors' Proposed Scope of Work for Fiscal Years 2025–2026</p>	<p>Vote</p>	<p>Noël Russell-Unterburger</p>	<p>5 m</p>
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The Committee will review the auditors' proposed scope of work for the 2025–2026 audit cycle and vote on a recommendation to the Board for approval.

<p>D. Audit Committee Charter</p>	<p>Vote</p>	<p>Noël Russell-Unterburger</p>	<p>15 m</p>
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The Audit Committee will consider and vote on an Audit Committee Charter, including its purpose, responsibilities, and governance framework (this item was tabled from the previous Audit Committee meeting due to technical difficulties.)

III.	Closing Items		5:29 PM
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<p>A. Adjourn Meeting</p>	<p>Vote</p>	<p>Jan Mazyck</p>	<p>1 m</p>
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The Committee will hold a roll call vote on the adjournment of the meeting.

Proposed Motion: Adjourn

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 July 14, 2025

APPROVED



Navigator Schools

Minutes

Audit Committee Meeting

Date and Time

Monday July 14, 2025 at 11:00 AM

Location

Join Zoom Meeting

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

Meeting ID: 932 0623 1898

Passcode: 962012

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

One tap mobile

+13017158592,,93206231898#,,,,*962012# US (Washington DC)

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

Dial by your location

- +1 301 715 8592 US (Washington DC)
- +1 312 626 6799 US (Chicago)
- +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/93206231898>

Committee Members Present

Ian Connell (remote), Jan Mazyck (remote), Niña Rosete (remote)

Committee Members Absent

None

Committee Members who arrived after the meeting opened

Jan Mazyck

Guests Present

Laura Marco (remote), Lizbeth Navarez (remote), Melanie Horowitz (remote), Noël Russell-Unterburger (remote), Satpal Nagpal (remote), Shun Dorsey (remote), Tom Peraic (remote)

I. Opening Items

A. Call the Meeting to Order

Ian Connell called a meeting of the Audit Committee Committee of Navigator Schools to order on Monday Jul 14, 2025 at 11:05 AM.

B. Record Attendance & Guests

C. Approve Minutes from Prior Meeting

Ian Connell made a motion to approve the minutes from Audit Committee Meeting on 03-25-25.

Niña Rosete seconded the motion.

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

D. Committee Chair Update

In the Committee Chair's absence, General Counsel directed the Committee's attention to the correspondence from the Committee Chair attached to the agenda in which the Committee Chair resigned from the Finance Committee in order for Navigator to maintain full compliance with the provisions of the Nonprofit Integrity Act.

E. Public Comments

There were no public comments.
Jan Mazyck arrived at 11:12 AM.

II. Audit Committee

A. Audit Firm Rotation Policy

Ian Connell made a motion to recommend to the Board that it approve the Audit Firm Rotation Policy.

Niña Rosete seconded the motion.

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

B. Audit Committee Charter

Due to technical issues this item was tabled to the next Audit Committee meeting by motion unanimously carried.

C. Green, Hasson, Janks (GHJ) Entrance Discussion for 2024-25 Audit

Melanie Horowitz, Satpal Nagpal, and Lizbeth Navarez, from Green, Hasson, Janks (GHJ) discussed the audit plan and schedule for the 2024-25 audit period.

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

Due to technical issues this item was tabled to the next Audit Committee meeting by motion unanimously carried.

E. Update on AB84 and SB414 regarding future charter school audit requirements

Due to technical issues this item was tabled to the next Audit Committee meeting by motion unanimously carried.

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 12:02 PM.

Respectfully Submitted,
Tom Peraic

Documents used during the meeting

- Finance Committee Resignation.pdf
- II A. Summary of Audit Firm Selection Policy 3.25.25.pdf
- II A. NS Audit Firm Rotation Policy - DRAFT March 2025.pdf

Coversheet

Chief Financial and Operating Officer Update

Section: I. Opening Items
Item: E. Chief Financial and Operating Officer Update
Purpose: FYI
Submitted by:
Related Material: BOARD RESOLUTION - AUDIT COMMITTEE - BR 2024.10.pdf

BOARD RESOLUTION BR 2024-10

February 15, 2024

RESOLUTION TO CREATE AN AUDIT COMMITTEE

RECITALS:

WHEREAS, subject to the provisions and limitation of the California Nonprofit Public Benefit Corporation Law and any other applicable laws, and subject to any limitations of the articles of incorporation or bylaws, Navigator Schools' corporate activities and affairs shall be managed, and all corporate power shall be exercised, by or under the direction of the Board of Directors.

WHEREAS, pursuant to its bylaws, the Navigator Schools Board of Directors may delegate the management of Navigator Schools' corporate activities to any person(s), management company, or committees, however composed, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

WHEREAS, the Navigator Schools Board of Directors that it is in the best interests of the corporation to create its Audit Committee to perform regular the ordinary and functions of an audit committee, said duties being the recommendation to the Governing Board the retention or termination of the auditor, the negotiation of the audit fee on behalf of the Governing Board, meet and confer with auditor(s) to satisfy the audit committee members that Navigator's financial affairs are in order, and to review the audit and determine whether to accept it.

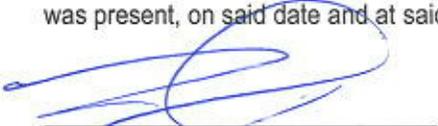
RESOLUTION:

NOW THEREFORE, IT IS HEREBY RESOLVED THAT:

1. The Navigator Schools Board of Directors hereby grants authority to create its Audit Committee to perform regular the ordinary and functions of an audit committee, said duties being the recommendation to the Governing Board the retention or termination of the auditor, the negotiation of the audit fee on behalf of the Governing Board, meet and confer with auditor(s) to satisfy the audit committee members that Navigator's financial affairs are in order, and to review the audit and determine whether to accept it.
2. The initial Audit Committee shall be composed of the following members of the Navigator Schools Board of Directors: Claire Grissom (Chair), Ian Connell, and Shara Hegde.
3. The Navigator Schools Board of Directors hereby directs the Chief Executive Officer & Superintendent (or designee) to take all steps necessary to effectuate this resolution.

PASSED AND ADOPTED by the Navigator Schools Board of Directors at its meeting held on February 15, 2024 at which a quorum was present, in the City of Gilroy, County of Santa Clara County, State of California.

The Board Secretary certifies that this resolution was adopted at the Board of Directors meeting for which a quorum was present, on said date and at said location.



Signature of Secretary

Tomislav Peraic

Secretary, Navigator Schools, a California Nonprofit Public Benefit Corporation

02/16/24

Date

Coversheet

Fiscal Year 2025 Audit Report

Section: II. Audit Committee
Item: A. Fiscal Year 2025 Audit Report
Purpose: Vote
Submitted by:
Related Material: Audit Committee Presentation - Navigator Schools - FY 2025.pdf
FS-NavigatorSchools-063025-Draft-030326.pdf
ComGov-NavigatorSchools-063025-Draft-030326.pdf
UG-NavigatorSchools-063025-Draft-030326.pdf
Segregation of Duties Matrix.pdf



Navigator Schools

Audit Committee Exit Meeting

March 5, 2026



YOUR LEADERSHIP TEAM

Audit Team

- Engagement Lead: Melanie Horowitz, Principal
- Day-to-Day: Yoyo Yang, Manager
- Quality Control: Satpal Nagpal, Partner

Tax Team

- Tax Lead: Liz Nevarez, Partner
- Day-to-Day: Alejandra Garcia, Manager



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

March 5, 2026

SCOPE OF SERVICES

1. Express an opinion on the consolidated financial statements of Navigator Schools(Navigator) for the year ended June 30, 2025
2. Perform audit procedures in accordance with the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (K-12 Audit Guide)*, published by the Education Audit Appeals Panel
3. Express an opinion on Navigator’s compliance with its major federal award programs for the year ending June 30, 2025
4. Make recommendations regarding opportunities for improvements to internal controls, based on observations made during the course of our audit
5. Prepare the Form 990 and related filings for the year ended June 30, 2025 (due May 15, 2026)



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March 5, 2026

AREAS OF SIGNIFICANT AUDIT FOCUS

Significant risks:

- Revenue recognition with an emphasis on allocation of costs related to reimbursement-based government contracts
- Management override of controls

Other areas of focus:

- Compliance with government contracts, including assessment of any potential disallowances under governmental grants and contracts and accuracy of reporting
- Revenue recognition and classification of net assets
- Existence and collectability of accounts receivable
- Accuracy and reconciliation of intercompany accounts and activities
- Completeness of liabilities and adequacy of reserves
- Internal controls over key cycles, including IT controls

Note: We evaluate internal controls to determine the nature, timing and extent of our substantive procedures; however, we do not express an opinion on the effectiveness of the internal controls over financial reporting.



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March 5, 2026

AUDIT RESULTS

- Auditor's Reports:
 - Unmodified (all reports)
- Significant Internal Control Findings and Recommendations:
 - Charter Compliance Finding: 2025 - 1 Attendance Reporting
 - Charter Compliance Finding: 2025 - 2 Transitional Kindergarten (TK) Early Enrollment - Average Class Enrollment
 - Financial Statements Finding: 2025 - 3 Material weakness over Internal Controls Related to Financial Closing and Reporting Process
 - Major Federal Program Finding: 2025 - 4 Significant deficiency over Internal Controls Related to Review and Approval of Timecards



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March 5, 2026

AUDIT RESULTS

- Summary of Adjusting Journal Entries:
 - A total of 51 late client entries to reconcile books and records after trial balances were submitted
 - A total of 9 audit adjustments resulting in a prior period adjustment of \$1.7M
 - 2 audit adjustments related to under-accrued oversight fees (GPS and HPS)
 - 2 audit adjustments related to reconciling lease activity (WPS and LLC)
 - 1 audit adjustment related to reclass of already written off amount (WPS)

- Summary of Passed Adjusting Journal Entries:
 - 4 entries related to over-accrued invoices
 - 4 entries related to lottery revenue accruals
 - 4 entries related to extrapolated errors for contributions testing
 - 5 entries related to true up of asset and liability accounts



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March 5, 2026

AUDIT RESULTS (cont.)

- Material weakness over internal control on financial reporting related to the following items noted during the audit:
 - i. Cost-based revenue recognition review – Implement review process over revenue recognition based on allowed expenditures incurred
 - ii. Governmental grants and accounts receivable – Strengthen review process of receivables balance to reconcile with current year activities
 - iii. Contributions, grants and receivables – Strengthen review process of non-governmental grants/contributions to ensure revenue recognized in proper period
 - iv. Intercompany lease revenue and expense – Strengthen review process for leases
 - v. Cash reconciliation – Clear old uncleared items and improve review process over bank reconciliation
 - vi. Fixed assets schedule and prepaid expenses schedule – Improve review process to ensure schedules agree to GL and depreciation/amortization is properly calculated
 - vii. Accrued liabilities, payroll accruals and other liabilities – Improve review process at year-end financial closing process to ensure expenses were properly accrued
 - viii. Long-term Liabilities and Debt – Improve review process over interest expense recording to prevent error and implement process over covenant monitoring



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March 5, 2026

AUDIT RESULTS (cont.)

Other Recommendations:

- Labor allocation monitoring - Improve review process over personnel cost allocation to proper program/resource
- Manual process of timesheets outside of regular time tracking system - Implement enforcement of centralized time recording process
- SEFA preparation - Improve review process over SEFA reporting to enhance reporting and cost allocation accuracy
- ELOP registration forms – Implement standard forms for all schools to streamline the compliance monitoring process
- Fixed Asset Construction in Progress – Implement process to ensure retainage is correctly accrued for
- Unduplicated Student count – Improve review process over unduplicated student count reporting



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March 5, 2026

FINANCIAL STATEMENT HIGHLIGHTS

- Increase in **cash** of approx. \$2.6M driven by new borrowings of \$6.2M and operating activities of \$3.4M offset by current year purchases of property and equipment
- Decrease in **Accounts Receivable** of approx. 1.4 M due to timing of collections
- **Right-of-use assets** and **lease liabilities** for operating and finance leases increased by approximately \$5.6M and \$6.8M respectively, due to an additional facility lease and new of copier leases during current year
- **Property and Equipment** increased by approx. 6.8M due to purchases of \$7M offset by depreciation
- **Accounts Payable and Accrued Expenses** increased by approx. \$2.3M due to construction billings and general increase in expense year over year
- **Notes Payable** increased by \$6.3M primarily due to Prop 51 funding of \$2.3M, line of credit draws of \$3.2M and new charter fund loan of \$900K
- **Total revenues** increased by approx. \$3.5M primarily due to Employee Retention Credit of 3.1M received
- **Total expenses** increased by \$3.8M in majority due to employee related costs (salaries & wages, benefits and taxes) as the Schools expanded and as such had an increase in staff and teachers year over year
- **Ratio of expenses** allocated to program services (79%) remained relatively consistent from prior year (77%)
- **Financial assets available** to meet general expenditures within one year are \$8.9M at June 30, 2025, representing approx. 3 months' worth of cash expenditures



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March 5, 2026

TAX UPDATE

- Preparation of the Form 990 and Related Filings:
 - An extension was filed by the November 15, 2025 due date
 - The final due date for the Form 990 and related filings is May 15, 2026

OBBA Update

- Above-the-line charitable deduction for non-itemizers, allowing deductions of \$1,000 for individuals and \$2,000 for married couples filing jointly
- Corporate charitable deduction floor of 1% of net income
- Individual charitable deduction floor of 0.5% of AGI
- Increase in reporting threshold for the Form 1099-MISC and 1099-NEC from \$600 to \$2,000



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March 5, 2026

ACTION ITEM AND NEXT STEPS

- Action Item:
 - Audit Committee to recommend the board to approve the audit reports
 - Executive Committee session
- Next Steps:
 - Management to provide responses related to reported findings before issuance
 - Addition of retainage accrual – statement of financial position impact, and updated disclosures for charter school organization information and CIP
 - Caprice and Noel to sign the management representation letters (DocuSign)
 - Reports to be uploaded to the CDE by March 15, 2026



CONTACT US

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March 5, 2026

PRELIMINARY DRAFT

March 3, 2026

TO BE RETURNED TO GREEN HASSON &
JANKS LLP AND NOT TO BE REPRODUCED
IN ANY FORM WITHOUT PERMISSION

NAVIGATOR SCHOOLS

CONSOLIDATED FINANCIAL REPORTS

YEAR ENDED JUNE 30, 2025

OPERATING:

GILROY PREP - 1278

HOLLISTER PREP - 1507

WATSONVILLE PREP - 2032

HAYWARD COLLEGIATE - 2027

NAVIGATOR SCHOOLS
CONSOLIDATED FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2025

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SECTION A

Consolidated Financial Statements

NAVIGATOR SCHOOLS
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NAVIGATOR SCHOOLS
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navigator Schools

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, 2025, 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, 2025, 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 Consolidated Financial Statements section of our report. We are required to be independent of Navigator and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Emphasis of Matter

As discussed in Note 10 to the consolidated financial statements, the June 30, 2024 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect 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.

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.

To the Board of Directors
Navigator Schools

PRELIMINARY DRAFT
March 3, 2026

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.

To the Board of Directors
Navigator Schools

PRELIMINARY DRAFT
March 3, 2026

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 instructional time, average daily attendance and reconciliation of annual financial and budget report with audited consolidated financial statements and consolidating statements of financial position, activities and cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 *GAAS and Government Auditing Standards*. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the charter school organization structure but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March ____, 2026 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.

GREEN HASSON & JANKS LLP

March ____, 2026
Los Angeles, California

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT

March 3, 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 5,481,204
Accounts Receivable	3,471,274
Prepaid Expenses and Other Assets	<u>543,360</u>

TOTAL CURRENT ASSETS

9,495,838

OTHER ASSETS:

Property and Equipment (Net)	16,973,453
Right-Of-Use Asset - Finance Leases	580,262
Right-of-Use Asset - Operating Leases	<u>19,002,477</u>

TOTAL OTHER ASSETS36,556,192**TOTAL ASSETS**\$ 46,052,030**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	\$ 3,855,344
Deferred Revenue	393,786
Notes Payable	4,086,746
Lease Liability - Finance Leases	118,690
Lease Liability - Operating Leases	<u>311,001</u>

TOTAL CURRENT LIABILITIES

8,765,567

LONG-TERM LIABILITIES

Notes Payable	11,095,978
Lease Liability - Finance Leases	464,900
Lease Liability - Operating Leases	<u>20,594,107</u>

TOTAL LONG-TERM LIABILITIES32,154,985**TOTAL LIABILITIES**

40,920,552

NET ASSETS

Without Donor Restrictions	<u>5,131,478</u>
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TOTAL NET ASSETS5,131,478**TOTAL LIABILITIES AND NET ASSETS**\$ 46,052,030

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

CONSOLIDATED STATEMENT OF ACTIVITIES
June 30, 2025

	<u>Total</u>
WITHOUT DONOR RESTRICTIONS	
REVENUES:	
State Revenue:	
State Apportionment	\$ 16,094,040
Other State Revenue	8,340,327
Federal Revenue:	
Grants and Entitlements	4,882,073
Local Revenue:	
In-Lieu Property Tax Revenue	6,215,730
Contributions	1,852,444
Other Revenue	<u>364,274</u>
 TOTAL REVENUES	 37,748,888
 EXPENSES:	
Program Services	31,389,668
Management and General	8,248,605
Fundraising	<u>16,953</u>
 TOTAL EXPENSES	 <u>39,655,226</u>
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:	
 CHANGE IN NET ASSETS	 (1,906,338)
Net Assets - Beginning of Year (Restated)	<u>7,037,816</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 5,131,478</u></u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

NAVIGATOR SCHOOLS PRELIMINARY DRAFT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES March 3, 2026
Year Ended June 30, 2025

	Program Services	Management and General	Fundraising	Eliminations	Total Expenses
Salaries and Wages	\$ 16,889,555	\$ 3,590,105	\$ -	\$ -	\$ 20,479,660
Pension Expense	1,593,835	415,401	-	-	2,009,236
Other Employee Benefits	3,729,150	635,434	-	-	4,364,584
Payroll Taxes	818,737	197,817	-	-	1,016,554
Management Fees	478,851	-	-	-	478,851
Professional Fees	2,967	531,394	-	-	534,361
Instructional Materials	503,428	5,827	-	-	509,255
Other Fees for Services	5,530,845	439,803	-	(3,057,535)	2,913,113
Advertising and Promotion Expenses	18,783	34,764	-	-	53,547
Office Expenses	389,916	99,170	-	-	489,086
Information Technology Expenses	1,019,901	139,638	-	-	1,159,539
Occupancy Expenses	2,586,544	838,003	-	(1,357,107)	2,067,440
Travel Expenses	116,435	327,930	-	-	444,365
Interest Expense	15,390	794,725	-	-	810,115
Depreciation Expense	119,088	127,228	-	-	246,316
Insurance Expense	128,442	16,181	-	-	144,623
Fundraising	-	-	16,953	-	16,953
Other Expenses	1,862,443	55,185	-	-	1,917,628
<i>SUBTOTAL</i>	35,804,310	8,248,605	16,953	(4,414,642)	39,655,226
Eliminations	(4,414,642)	-	-	-	-
<i>TOTAL FUNCTIONAL EXPENSES</i>	<u>\$ 31,389,668</u>	<u>\$ 8,248,605</u>	<u>\$ 16,953</u>	<u>\$ (4,414,642)</u>	<u>\$ 39,655,226</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

NAVIGATOR SCHOOLSPRELIMINARY DRAFT
March 3, 2026**CONSOLIDATED STATEMENT OF CASH FLOWS**
June 30, 2025**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (1,906,338)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	246,316
(Increase) Decrease in Assets:	
Accounts Receivable	682,653
Prepaid Expenses and Other Assets	483,645
Right-Of-Use Asset - Finance Leases	74,484
Right-of-Use Asset - Operating Leases	383,473
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	3,641,810
Deferred Revenue	(166,240)
Lease Liability - Operating Leases	<u>(41,816)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 3,397,987

CASH FLOWS USED IN INVESTING ACTIVITY:

Purchases of Property and Equipment (7,042,234)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Notes Payable	13,322,784
Repayments of Notes Payable	(7,046,514)
Borrowings on Lease Liability - Finance Leases	<u>(71,156)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES 6,205,114

CHANGE IN CASH AND CASH EQUIVALENTS 2,560,867

Cash and Cash Equivalents - Beginning of Year 2,920,337

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 5,481,204

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid for Interest \$ 732,968

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Increase in Right-Of-Use Assets - Operating Leases	(6,382,839)
Increase in Lease Liability - Operating Leases	6,382,839
Increase in Right-Of-Use Assets - Finance Leases	(624,143)
Increase in Lease Liability - Finance Leases	624,143

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

NAVIGATOR

PRELIMINARY DRAFT
March 3, 2026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) NATURE OF ACTIVITIES

Navigator Schools is a California nonprofit public benefit corporation and is organized to manage and operate public charter schools. The mission of Navigator Schools 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 (CDE). 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.

(b) PRINCIPLES OF CONSOLIDATION

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

(c) BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on the accrual method of accounting.

NAVIGATOR SCHOOLSPRELIMINARY DRAFT
March 3, 2026**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
June 30, 2025**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**(d) NET ASSETS**

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. There were no net assets with donor restrictions at June 30, 2025.

(e) CASH AND CASH EQUIVALENTS

Navigator has defined cash and cash equivalents as cash in bank and short-term, liquid investments with original maturities of three months or less at the time of purchase. Navigator does not recognize a reserve for expected losses related to its money market funds as management has concluded there is no risk of non-payment.

(f) ACCOUNTS RECEIVABLE

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2025, which is recorded based on amounts to be primarily awarded from by CDE which are, in turn, based on the average daily attendance (ADA) of students. The amounts to be awarded are subject to change based on the availability of funds from the State of California. As a result, differences may occur when accruals are estimated because the exact amounts are not available at the time of the accrual. Any changes are recorded in the period that they are estimable.

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT

March 3, 2026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(g) ACCOUNTS RECEIVABLE** (continued)

The carrying value of accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, the age of outstanding amounts due from federal, state and local governments and existing economic conditions. If events or changes in circumstances indicate that specific due from federal, state and local government balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly past due balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2025, Navigator has not established any allowance for doubtful accounts.

(h) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation is computed using the straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Buildings and Improvements	2-30 Years
Furniture and Equipment	5 - 7 Years

Expenditures for repairs and maintenance are charged to expense as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

(i) LONG-LIVED ASSETS

Navigator reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2025.

(j) REVENUE RECOGNITION

Navigator recognizes revenue when cash, other assets or an unconditional promise to give are received. Navigator reports unconditional promises as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

NAVIGATOR SCHOOLSPRELIMINARY DRAFT
March 3, 2026**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
June 30, 2025**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**(j) REVENUE RECOGNITION** (continued)

Revenue from government contracts and grants may be conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes.

Amounts received are recognized as revenue when Navigator has satisfied the specific performance requirements, if any, or incurred expenditures in compliance with specific contract or grant provisions, if applicable. Navigator has elected to adopt a policy whereby donor-restricted grants, whose restrictions are met in the same reporting period, are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as deferred revenue in the consolidated statement of financial position.

(k) INCOME TAXES

Navigator Schools and the Support Corporation are exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). There is no unrelated taxable income and, accordingly, no provision for income taxes has been recorded.

The 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.

In accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, Navigator recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2025, the Navigator performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

(l) LEASES

Navigator recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) ASC 842, *Leases*. Navigator is a lessee in several operating leases and finance leases for facilities and equipment (see Note 7). Navigator determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Navigator recognizes a lease liability and a right-of-use (ROU) lease asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise Navigator uses the risk free rate. The implicit rates of Navigator's leases are not readily determinable and accordingly, Navigator uses the risk-free rate based on the commencement date of the lease.

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT

March 3, 2026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) LEASES** (continued)

The ROU lease asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Navigator has elected, for all underlying classes of assets, to not recognize ROU lease assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that Navigator is reasonably certain to exercise. Navigator recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

(m) FUNCTIONAL ALLOCATION OF EXPENSES

Costs of providing Navigator's programs and other activities have been presented in the consolidated statement of functional expenses.

Accordingly, certain costs have been allocated among the programs and supporting services benefited by a method that best measures the relative degree of benefit.

(n) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(o) SUBSEQUENT EVENTS

Navigator evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2025, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through March ____, 2026, the date these consolidated financial statements were available to be issued. Except as noted in Note 3, no such material events or transactions were noted to have occurred

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT

March 3, 2026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2025 are as follows:

Buildings and Improvements	\$ 9,302,405
Furniture and Equipment	712,259
Construction in Progress	<u>8,868,579</u>
TOTAL	18,883,243
Less: Accumulated Depreciation	<u>(1,909,790)</u>
TOTAL PROPERTY AND EQUIPMENT (NET)	<u>\$ 16,973,453</u>

Depreciation expense was \$246,316 for the year ended June 30, 2025.

Total estimated cost to complete the construction in progress projects was approximately \$2,228,000 as of June 30, 2025. The projects are expected to be complete in _____.

NOTE 3 - NEW MARKET TAX CREDIT FUNDING AND NOTES PAYABLE

The New Market Tax Credit (NMTC) program is a federal subsidy program for economic development of depressed areas. The NMTC program is designed to stimulate the flow of investment capital into underserved areas by providing tax credit investment in a 'low-income community', which is claimed over a seven-year credit allowance period.

During the year ended June 30, 2021, Navigator, USB NMTC Fund 2020-6, LLC, Twain Financial Partners, and Low Income Investment Fund (LIFF) entered into a NMTC transaction to fund the rehabilitation, renovation and construction of improvements to the leased premises at 407 Main Street, to house the Watsonville Charter School facility. At that time, USB NMTC Fund 2020-6, LLC made an equity investment in the amount of \$1,599,500 into the Twain Investment Fund 504, LLC (the Fund). LIFF made a leverage loan to the Fund in the amount of \$4,664,242. The fund used the proceeds from the equity investment and the loan and made an equity investment into Civic Builders Sub-CDE 17, LLC.

The LLC received a direct loan from LIFF in the amount of \$1,545,758 and two loans from Civic Builders Sub-CDE 17, LLC in the amount of \$4,664,242 (Civic Loan A) and \$1,215,758 (Civic Loan B), respectively.

Additionally, in January 2021, Pacific Charter School Development made a loan in the amount of \$1,400,000 to Navigator, which in turn made an investment into the LLC in the amount of \$1,614,841.

On January 26, 2028, the end of the seven-year NMTC term, Navigator has an option exercise the Investment Fund Put and Call Agreement.

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - NEW MARKET TAX CREDIT FUNDING AND NOTES PAYABLE (continued)

Following is the summary of the notes payable under the NMTC Program at June 30, 2025:

Note Payable - Civic Loan Note A, Interest at 5.0995% Per Annum, Interest Only Quarterly Payments Partially in Arrears and in Advance, Thereafter Final Payment of All Outstanding Principal and Interest Due on Maturity, Maturing December 31, 2027	\$ 4,632,341
Note Payable - Civic Loan Note B, Interest at 5.0995% Per Annum, Interest Only Quarterly Payments Partially in Arrears and in Advance until March 2028, Thereafter Installments of Principal and Interest Quarterly Partially in Arrears and in Advance, Maturing January 1, 2051	1,215,758
Note Payable - Low Income Investment Fund (LIIF), Interest at 5.75% Per Annum, Interest Only Payments Monthly in Arrears until December 31, 2023, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing December 31, 2027	1,504,810
Note Payable - Blueprint (Formerly known as Pacific Charter School Development Inc or PCSD), Interest at 2.5% Per Annum, Interest Only Payments Monthly, Maturing December 31, 2027 when Balloon Principal Payment is Due	1,400,000

Navigator also has the following other notes payable at June 30, 2025:

Prop 51 Fund Loan:

In 2025, Navigator received funding from the State of California through the California Charter School Facilities State Prop 51 Program for new construction and rehabilitation projects to Gilroy Prep School campus. The terms of the agreements provide that 50% of the Prop 51 funding consists of a grant, and the remaining 50% is a local match which will be repaid to the State as a loan. Navigator began receiving the funds in 2025 and is not required to make repayments on the loan until after one full year of the facilities being open. At that point, it is expected that the loan portion will be repaid over a 30-year period. The construction was completed in Fall 2025. As of June 30, 2025, the total outstanding loan was \$2,340,260.

Promissory Note with Charter Fund, Inc.:

In August 2024, Navigator obtained a subordinated promissory note from Charter Fund, Inc.(CSGF) up to the amount of \$887,500, which is convertible to charitable grant contingent upon Navigator meeting certain performance requirements on or prior to November 30, 2025. The loan bears an interest rate of 1% per annum and payable on November 30, 2025 if determined that Navigator did not meet such requirements. The outstanding balance on the CSGF Loan as of June 30, 2025 is \$887,500. The loan was subsequently forgiven by CSGF on November 24, 2025.

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - NEW MARKET TAX CREDIT FUNDING AND NOTES PAYABLE (continued)

Line of Credit:

Navigator has a secured revolving line of credit (LOC), secured by the assignment of state payments per credit agreement, in the amount of \$9,000,000, at a variable interest rate of the larger of Term Secured Overnight Financing Rate (Term SOFR) rate plus 2.5%, or 4.50% per annum and due June 2026. The outstanding balance on the line of credit as of June 30, 2025 is \$3,172,668. At June 30, 2025 Term SOFR was 4.45%.

The notes payable related to the NMTC transaction and the line of credit contain various covenants as well as reporting covenants, which were not met as of June 30, 2025.

Future maturities under notes payable at June 30, 2025 are as follows:

Year Ended June 30

2026	\$ 4,086,746
2027	26,578
2028	7,497,871
2029	28,828
2030	30,326
Thereafter	<u>3,482,988</u>
TOTAL	<u>\$ 15,153,337</u>

Interest expense for the year ended June 30, 2025 was \$810,115.

NOTE 4 - FINANCE AND OPERATING LEASES

Navigator leases buildings and other facilities which are accounted for as operating leases. The operating leases expire on various dates through June 2051. Some of these leases have renewal options. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, are not recorded on the statement of financial position and are recognized as lease expense on a straight-line basis over the lease term. As of June 30, 2025, Navigator recognized \$19,002,477 of ROU assets (net) and \$20,905,108 of related lease liabilities for contracts that are classified as operating leases.

Navigator leases certain equipment, which are accounted for as finance leases. The finance leases expire at various dates through March 17, 2030. As of June 30, 2025, Navigator recognized \$580,262 of ROU assets from finance leases and \$583,590 of related lease liabilities for contracts that are classified as finance leases.

NAVIGATOR SCHOOLSPRELIMINARY DRAFT
March 3, 2026NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025**NOTE 4 - FINANCE AND OPERATING LEASES** (continued)

Lease cost was as follows for the year ended:

	June 30, 2025
Operating Lease Costs	\$ 2,651,979
Amortization of ROU	43,880
Interest on Lease Liabilities	8,709
Total Lease Cost	<u>\$ 2,704,568</u>
Other Information:	
Weighted-Average Remaining Lease Term -	
Operating Leases	24.71 years
Finance Leases	4.63 years
Weighted-Average Discount Rate -	
Operating Leases	3.79%
Weighted-Average Discount Rate - Finance Leases	3.44%

Maturities of lease liabilities as of June 30, 2025 are as follows:

Year Ending June 30	Operating Leases	Finance Leases	Total
2026	\$ 1,088,661	\$ 139,920	\$ 1,228,581
2027	1,113,589	139,920	1,253,509
2028	1,100,416	139,920	1,240,336
2029	1,124,860	139,920	1,264,780
2030	1,149,865	79,000	1,228,865
Thereafter	27,516,752	-	27,516,752
Total Lease Payments	33,094,143	638,680	33,732,823
Less: Interest	(12,189,035)	(55,090)	(12,244,125)
TOTAL	20,905,108	583,590	21,488,698
Less: Current Portion	(311,001)	(118,690)	(429,691)
LONG TERM LEASE LIABILITY	<u>\$ 20,594,107</u>	<u>\$ 464,900</u>	<u>\$ 21,059,007</u>

Navigator (Watsonville) leases a facility from the LLC. Total rental income and rental expense of \$1,357,107 were eliminated in the consolidated financial statements.

NAVIGATOR SCHOOLSPRELIMINARY DRAFT
March 3, 2026**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
June 30, 2025**NOTE 5 - 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, 2025 were \$195,753.

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. The supervisory oversight fees recorded for the year ended June 30, 2025 were \$183,874.

NOTE 6 - 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, 2024, total STRS plan net assets were \$341 billion, the total actuarial present value of accumulated plan benefits was \$482 billion, contributions from all employers totaled \$8.6 billion, and the plan was 77% 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.

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 - 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 10.205% 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. Navigator is required to contribute 19.10% of annual payroll for active plan members for STRS during the year ended June 30, 2025.

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

Year Ending June 30	<u>Required Contribution</u>	<u>STRS Percent Contributed</u>
2023	\$ 1,361,986	100%
2024	\$ 1,641,915	100%
2025	\$ 1,816,466	100%

NOTE 7 - CHARTER MANAGEMENT ORGANIZATION

Navigator charges CMO fees of \$3,057,535 to each charter for management services performed during the year. Navigator (Gilroy Prep) paid CMO fees of \$934,139 for the year ended June 30, 2025. Navigator (Hollister Prep) paid CMO fees of \$857,969 for the year ended June 30, 2025. Navigator (Watsonville Prep) paid CMO fees of \$889,834 for the year ended June 30, 2025. Navigator (Hayward Collegiate) paid CMO fees of \$375,593. These fees were eliminated in the consolidated financial statements.

NOTE 8 - CONTINGENCIES, RISKS AND UNCERTAINTIES

(a) CONTRACTS

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.

(b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, Navigator becomes involved in various claims or proceedings. Some of these proceedings may result in judgments being assessed against Navigator which, from time to time, may have an impact on changes in net assets. Navigator does not believe that these proceedings, individually or in the aggregate, are material to the accompanying consolidated financial statements.

NAVIGATOR SCHOOLSPRELIMINARY DRAFT
March 3, 2026**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
June 30, 2025**NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The total financial assets held by Navigator at June 30, 2025 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2025	
Cash and Cash Equivalents	\$ 5,481,204
Accounts Receivable	<u>3,471,274</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 8,952,478</u>

Navigator regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. As part of Navigator's liquidity management, the School structures its financial assets to be available and liquid as its general expenditures, liabilities and other obligations become due.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2025, Navigator identified misstatements in certain balances as of June 30, 2024, including accounts receivable, accounts payable, deferred revenue and contributions that were incorrectly stated at June 30, 2024. Accordingly, the beginning net assets as of July 1, 2024, were restated to \$7,037,816 from \$5,308,381 as previously reported in the prior year consolidated financial statements. In addition, the change in net assets for the year ended June 30, 2024 was restated to a decrease of \$1,795,304 from \$3,524,739 as previously reported in the prior year consolidated financial statements.

NAVIGATOR SCHOOLS

SUPPLEMENTAY INFORMATION

YEAR ENDED JUNE 30, 2025

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

SCHEDULE OF INSTRUCTIONAL TIME
Year Ended June 30, 2025

	Requirement	Actual	Tranditional Calendar Days	Status
Gilroy Prep:				
Transitional Kindergarten	36,000	54,740	180	In Compliance
Kindergarten	36,000	57,530	180	In Compliance
Grade 1	50,400	59,010	180	In Compliance
Grade 2	50,400	59,010	180	In Compliance
Grade 3	50,400	60,200	180	In Compliance
Grade 4	54,000	60,200	180	In Compliance
Grade 5	54,000	60,200	180	In Compliance
Grade 6	54,000	59,940	180	In Compliance
Grade 7	54,000	60,178	180	In Compliance
Grade 8	54,000	59,753	180	In Compliance
Hollister Prep:				
Kindergarten	36,000	59,340	180	In Compliance
Grade 1	50,400	58,990	180	In Compliance
Grade 2	50,400	58,990	180	In Compliance
Grade 3	50,400	58,990	180	In Compliance
Grade 4	54,000	58,990	180	In Compliance
Grade 5	54,000	58,990	180	In Compliance
Grade 6	54,000	63,200	180	In Compliance
Grade 7	54,000	63,200	180	In Compliance
Grade 8	54,000	63,200	180	In Compliance
Watsonville Prep:				
Transitional Kindergarten	36,000	57,480	180	In Compliance
Kindergarten	36,000	57,480	180	In Compliance
Grade 1	50,400	58,670	180	In Compliance
Grade 2	50,400	58,670	180	In Compliance
Grade 3	50,400	58,670	180	In Compliance
Grade 4	54,000	58,670	180	In Compliance
Grade 5	54,000	62,255	180	In Compliance
Grade 6	54,000	62,255	180	In Compliance
Grade 7	54,000	62,255	180	In Compliance
Hayward Collegiate				
Transitional Kindergarten	36,000	58,720	180	In Compliance
Kindergarten	36,000	66,160	180	In Compliance
Grade 1	50,400	59,860	180	In Compliance
Grade 2	50,400	59,860	180	In Compliance
Grade 3	50,400	61,660	180	In Compliance
Grade 4	54,000	61,660	180	In Compliance
Grade 5	54,000	61,660	180	In Compliance
Grade 6	54,000	61,660	180	In Compliance

See Independent Auditor's Report

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

SCHEDULE OF AVERAGE DAILY ATTENDANCE
Year Ended June 30, 2025

	Second Period Report				Annual Report			
	Classroom Based(Original)	Audit Adjustment	Classroom Based(Adjusted)	Total	Classroom Based	Audit Adjustment	Classroom Based(Adjusted)	Total
Gilroy Prep:								
K-3	272.18	-	272.18	272.18	271.78	-	271.78	271.78
Grades 4-6	171.29	-	171.29	171.29	171.01	-	171.01	171.01
Grades 7-8	112.10	-	112.10	112.10	111.87	-	111.87	111.87
ADA Totals	555.57	-	555.57	555.57	554.66	-	554.66	554.66
Hollister Prep:								
K-3	224.12	1.94	226.06	226.06	225.65	-	225.65	225.65
Grades 4-6	170.33	(0.08)	170.25	170.25	170.02	-	170.02	170.02
Grades 7-8	114.29	0.92	115.21	115.21	114.93	-	114.93	114.93
ADA Totals	508.74	2.78	511.52	511.52	510.60	-	510.60	510.60
Watsonville Prep:								
TK/K-3	250.25	-	250.25	250.25	251.58	-	251.58	251.58
Grades 4-6	151.51	-	151.51	151.51	152.00	-	152.00	152.00
Grades 7-8	53.92	-	53.92	53.92	53.69	-	53.69	53.69
ADA Totals	455.68	-	455.68	455.68	457.27	-	457.27	457.27
Hayward Collegiate								
TK/K-3	128.81	-	128.81	128.81	130.65	-	130.65	130.65
Grades 4-6	96.07	-	96.07	96.07	96.58	-	96.58	96.58
ADA Totals	224.88	-	224.88	224.88	227.23	-	227.23	227.23

See Independent Auditor's Report

NAVIGATOR SCHOOLSPRELIMINARY DRAFT
March 3, 2026RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2025

	Gilroy Prep	Hollister Prep	Watsonville	Hayward Collegiate
June 30, 2025 Annual Financial Report Fund Balances (Net Assets/Deficit)	\$ 4,221,676	\$ 2,111,088	\$ 1,043,779	\$ (406,212)
Adjustments and Reclassifications: Increase (Decrease) of Fund Balance (Net Assets/Deficit):				
Cash	731,451	1,315,976	121,929	(1,982,545)
Accounts Receivable	(394,676)	(1,727,061)	(639,337)	(11,519)
Related-Party Receivables	-	-	-	-
Prepaid Expenses and Other Assets	(26,190)	(27,410)	(26,518)	(9,963)
Property and Equipment (Net)	(373,035)	20,096	1	383,691
Right-of-Use Asset - Operating Leases	92,214	110,966	6,536,278	(392,717)
Accounts Payable and Accrued Liabilities	25,856	(36,598)	(391,513)	5,377,187
Related-Party Payables	-	-	(60,600)	(3,321,168)
Notes Payable, Current Portion	(28,869)	(32,842)	(58,573)	(78,387)
Deferred Revenue	164,177	77,100	(109,810)	25,999
Long-Term Liabilities	(93,401)	(108,341)	(6,970,925)	9,161
NET ADJUSTMENTS AND RECLASSIFICATION	97,526	(408,115)	(1,599,069)	(261)
JUNE 30, 2025 AUDITED FINANCIAL FUND BALANCES (NET ASSETS/DEFICIT)	4,319,202	1,702,973	(555,290)	(406,473)

See Independent Auditor's Report

NAVIGATOR SCHOOLS

**PRELIMINARY DRAFT
March 3, 2026**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
Year Ended June 30, 2025**

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	Total
U.S. Department of Education								
Pass-Through Program from California Department of Education:								
Every Child Succeeds Act, Part A								
Title I, Basic Grants:Low-Income and Neglected	84.010	14329		\$ 76,130	\$ 102,142	\$ 126,932	\$ 41,324	\$ 346,528
Title II, Improving Teacher Quality	84.367	14341		13,113	13,922	15,957	5,795	48,787
Title III, Limited English Proficiency	84.365	14346		24,728	28,702	34,443	-	87,873
Title IV, Student Support and Academic Enrichment	84.358	14356		10,000	10,000	10,000	10,000	40,000
Total Every Child Succeeds Act:				123,971	154,766	187,332	57,119	523,188
Special Education Cluster - IDEA Basic Local Assistance	84.027	13379		87,893	86,916	73,570	33,041	281,420
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):								
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	-	1,011	-	-	1,011
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	8,116	137,505	192,122	-	337,743
Expanded Learning Opportunities (ELO) Grant: ESSER III								
State Reserve, Emergency Needs	84.425U	15620	COVID-19	-	3,776	2,646	-	6,422
Expanded Learning Opportunities (ELO) Grant: ESSER III								
State Reserve, Learning Loss	84.425U	15621	COVID-19	-	19,931	6,542	-	26,473
Total Coronavirus Aid, Relief, and Economic Security Act				8,116	162,223	201,310	-	371,649
<i>Total U.S. Department of Education</i>				219,980	403,905	462,212	90,160	1,176,257
U.S. Department of Agriculture								
Pass-Through Program from California Department of Education:								
School Breakfast Program	10.553	N/A		45,869	-	43,702	26,256	115,827
National School Lunch Program	10.555	N/A		185,894	-	195,405	97,447	478,746
Total Child Nutrition Cluster				231,763	-	239,107	123,703	594,573
<i>Total U.S. Department of Agriculture</i>				231,763	-	239,107	123,703	594,573
Total Federal Expenditures				\$ 451,743	\$ 403,905	\$ 701,319	\$ 213,863	\$ 1,770,830

See Independent Auditor's Report

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS Year Ended June 30, 2025

Notes to Schedule of Expenditure of Federal Awards:

1. The Consolidating 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, 2025. 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.
2. Indirect Cost Rate - Navigator has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Navigator Schools is exempt from income taxations under Internal Revenue Code Section 501(c)(3) and California Code Section 23701d.

See Independent Auditor's Report

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2025

ASSETS	Navigator Schools						407 Main St, LLC	Eliminations	Total	
	CMO	Gilroy PREP	Hollister Prep	Watsonville Prep	Hayward Collegiate	Eliminations				
CURRENT ASSETS:										
Cash and Cash Equivalents	\$ 1,895,567	\$ 752,206	\$ 1,315,976	\$ 1,016,957	\$ -	\$ -	\$ 4,980,706	\$ 500,498	\$ -	\$ 5,481,204
Accounts Receivable	-	610,011	784,383	1,060,687	1,009,185	-	3,464,266	7,008	-	3,471,274
Related-Party Receivables	5,751,446	-	-	-	-	(3,447,166)	2,304,280	-	(2,304,280)	-
Prepaid Expenses and Other Assets	43,689	123,734	141,409	156,673	70,644	-	536,149	7,211	-	543,360
TOTAL CURRENT ASSETS	7,690,702	1,485,951	2,241,768	2,234,317	1,079,829	(3,447,166)	11,285,401	514,717	(2,304,280)	9,495,838
OTHER ASSETS:										
Deferred Rent Asset	-	-	-	-	-	-	-	1,872,821	(1,872,821)	-
Property and Equipment (Net)	114,682	6,064,216	117,958	563,750	2,212,815	-	9,073,421	7,900,032	-	16,973,453
Right-of-Use Asset - Finance Leases	36,494	144,456	163,208	172,874	63,230	-	580,262	-	-	580,262
Right-of-Use Asset - Operating Leases	69,221	-	-	29,780,468	3,515,067	-	33,364,756	8,440,513	(22,802,792)	19,002,477
TOTAL OTHER ASSETS	220,397	6,208,672	281,166	30,517,092	5,791,112	-	43,018,439	18,213,366	(24,675,613)	36,556,192
TOTAL ASSETS	\$ 7,911,099	\$ 7,694,623	\$ 2,522,934	\$ 32,751,409	\$ 6,870,941	\$ (3,447,166)	\$ 54,303,840	\$ 18,728,083	\$ (26,979,893)	\$ 46,052,030
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable and Accrued Liabilities	\$ 1,030,588	\$ 827,481	\$ 582,114	\$ 1,094,193	\$ 254,483	\$ -	\$ 3,788,859	\$ 66,485	\$ -	\$ 3,855,344
Related-Party Payables	65,398	-	-	60,600	3,321,168	(3,447,166)	-	2,304,280	(2,304,280)	-
Deferred Revenue	-	62,663	73,917	229,032	28,174	-	393,786	-	-	393,786
Deficit Investment in Subsidiary	2,577,240	-	-	-	-	-	2,577,240	-	(2,577,240)	-
Notes Payable, Current Portion	4,060,168	-	-	-	-	-	4,060,168	26,578	-	4,086,746
Lease Liabilities - Finance Leases	7,731	28,869	32,842	36,612	12,636	-	118,690	-	-	118,690
Lease Liabilities - Operating Leases	33,576	-	-	223,361	65,751	-	322,688	147,548	(159,235)	311,001
TOTAL CURRENT LIABILITIES	7,774,701	919,013	688,873	1,643,798	3,682,212	(3,447,166)	11,261,431	2,544,891	(5,040,755)	8,765,567
LONG-TERM LIABILITIES										
Notes Payable	-	2,340,260	-	-	-	-	2,340,260	8,755,718	-	11,095,978
Lease Liabilities - Finance Leases	29,074	116,148	131,088	137,750	50,840	-	464,900	-	-	464,900
Lease Liabilities - Operating Leases	36,258	-	-	31,525,151	3,544,362	-	35,105,771	10,004,714	(24,516,378)	20,594,107
TOTAL LONG-TERM LIABILITIES	65,332	2,456,408	131,088	31,662,901	3,595,202	-	37,910,931	18,760,432	(24,516,378)	32,154,985
TOTAL LIABILITIES	7,840,033	3,375,421	819,961	33,306,699	7,277,414	(3,447,166)	49,172,362	21,305,323	(29,557,133)	40,920,552
NET ASSETS (DEFICIT)										
Without Donor Restrictions	71,066	4,319,202	1,702,973	(555,290)	(406,473)	-	5,131,478	(2,577,240)	2,577,240	5,131,478
TOTAL NET ASSETS (DEFICIT)	71,066	4,319,202	1,702,973	(555,290)	(406,473)	-	5,131,478	(2,577,240)	2,577,240	5,131,478
TOTAL LIABILITIES AND NET	\$ 7,911,099	\$ 7,694,623	\$ 2,522,934	\$ 32,751,409	\$ 6,870,941	\$ (3,447,166)	\$ 54,303,840	\$ 18,728,083	\$ (26,979,893)	\$ 46,052,030

See Independent Auditor's Report

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

CONSOLIDATING STATEMENT OF ACTIVITIES
 June 30, 2025

	Navigator Schools						Total	407 Main St, LLC	Eliminations	Total
	CMO	Gilroy PREP	Hollister Prep	Watsonville Prep	Hayward Collegiate	Eliminations				
WITHOUT DONOR RESTRICTIONS										
REVENUES:										
State Revenue:										
State Apportionment	\$ -	\$ 3,343,214	\$ 4,264,507	\$ 6,679,331	\$ 1,806,988	\$ -	\$ 16,094,040	\$ -	\$ -	\$ 16,094,040
Other State Revenue (Expense)	(34,136)	3,751,854	1,099,333	2,681,903	841,373	-	8,340,327	-	-	8,340,327
Federal Revenue:										
Grants and Entitlements	3,111,243	451,743	403,905	701,319	213,863	-	4,882,073	-	-	4,882,073
Local Revenue:										
In-Lieu Property Tax Revenue	-	3,327,442	1,847,148	-	1,041,140	-	6,215,730	-	-	6,215,730
Contributions	1,297,937	169,798	141,517	132,301	110,891	-	1,852,444	-	-	1,852,444
Gain from Subsidiary	177,662	-	-	-	-	-	177,662	-	(177,662)	-
Other Revenue (Expense)	3,280,646	-	-	21,764	(44)	(3,057,535)	244,831	1,476,550	(1,357,107)	364,274
TOTAL REVENUES	7,833,352	11,044,051	7,756,410	10,216,618	4,014,211	(3,057,535)	37,807,107	1,476,550	(1,534,769)	37,748,888
EXPENSES:										
Program Services	-	9,940,492	9,291,816	11,410,569	5,161,433	(3,057,535)	32,746,775	-	(1,357,107)	31,389,668
Management and General	6,949,717	-	-	-	-	-	6,949,717	1,298,888	-	8,248,605
Fundraising	-	16,953	-	-	-	-	16,953	-	-	16,953
TOTAL EXPENSES	6,949,717	9,957,445	9,291,816	11,410,569	5,161,433	(3,057,535)	39,713,445	1,298,888	(1,357,107)	39,655,226
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	883,635	1,086,606	(1,535,406)	(1,193,951)	(1,147,222)	-	(1,906,338)	177,662	(177,662)	(1,906,338)
Net Assets (Deficit) - Beginning of Year (Restated)	(812,569)	3,232,596	3,238,379	638,661	740,749	-	7,037,816	(2,754,902)	2,754,902	7,037,816
NET ASSETS - END OF YEAR	\$ 71,066	\$ 4,319,202	\$ 1,702,973	\$ (555,290)	\$ (406,473)	\$ -	\$ 5,131,478	\$ (2,577,240)	\$ 2,577,240	\$ 5,131,478

See Independent Auditor's Report

NAVIGATOR SCHOOLS

CONSOLIDATING STATEMENT OF CASH FLOWS
June 30, 2025

PRELIMINARY DRAFT
March 3, 2026

	Navigator Schools						Total	407 Main St, LLC	Eliminations	Total
	CMO	Gilroy PREP	Hollister Prep	Watsonville Prep	Hayward Collegiate	Eliminations				
CASH FLOWS FROM OPERATING ACTIVITIES										
Change in Net Assets	\$ 883,635	\$ 1,086,606	\$ (1,535,406)	\$ (1,193,951)	\$ (1,147,222)	\$ -	\$ (1,906,338)	\$ 177,662	\$ (177,662)	\$ (1,906,338)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating										
Depreciation	11,307	28,892	29,516	993	59,687	-	130,395	115,921	-	246,316
Change In Deficit Investment in Subsidiary	(177,660)	-	-	-	-	-	(177,660)	-	177,660	-
(Increase) Decrease in Assets:										
Accounts Receivable	698,266	428,775	667,819	216,206	(257,427)	(1,056,571)	697,068	(14,415)	-	682,653
Prepaid Expenses and Other Assets	(4,314)	159,440	43,306	112,170	180,254	-	490,856	(7,211)	-	483,645
Deferred Rent Asset	-	-	-	-	-	-	-	(526,607)	526,607	-
Right-Of-Use Asset - Finance Leases	4,055	38,206	9,687	19,209	3,327	-	74,484	-	-	74,484
Right-of-Use Asset - Operating Leases	26,954	(52,242)	(21,639)	729,935	87,486	-	770,494	203,741	(590,762)	383,473
Increase (Decrease) in Liabilities:										
Accounts Payable and Accrued Liabilities	(3,672,808)	1,449,652	2,221,352	1,058,822	959,408	1,056,571	3,072,997	(55,793)	624,606	3,641,810
Deferred Revenue	(8,774)	(164,177)	(77,100)	109,810	(25,999)	-	(166,240)	-	-	(166,240)
Lease Liability - Operating Leases	(26,340)	52,242	21,639	(108,106)	(40,397)	-	(100,962)	(5,009)	64,155	(41,816)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,265,679)	3,027,394	1,359,174	945,088	(180,883)	-	2,885,094	(111,711)	624,604	3,397,987
CASH FLOWS FROM INVESTING ACTIVITIES:										
Purchases of Property and Equipment	(82,667)	(4,598,536)	(49,760)	(558,887)	(1,752,384)	-	(7,042,234)	-	-	(7,042,234)
NET CASH USED BY INVESTING ACTIVITIES	(82,667)	(4,598,536)	(49,760)	(558,887)	(1,752,384)	-	(7,042,234)	-	-	(7,042,234)
CASH FLOWS FROM FINANCING ACTIVITIES:										
Proceeds from Notes Payable	10,751,735	2,340,260	-	-	-	-	13,091,995	230,789	-	13,322,784
Repayments of Notes Payable	(6,691,567)	-	-	(276,987)	(46,198)	-	(7,014,752)	(31,762)	-	(7,046,514)
Borrowings on Lease Liability - Finance Leases	(3,744)	(37,645)	(8,965)	(17,721)	(3,081)	-	(71,156)	-	-	(71,156)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	4,056,424	2,302,615	(8,965)	(294,708)	(49,279)	-	6,006,087	199,027	-	6,205,114
CHANGE IN CASH AND CASH EQUIVALENTS	1,708,078	731,473	1,300,449	91,493	(1,982,546)	-	1,848,947	87,316	624,604	2,560,867
Cash and Cash Equivalents - Beginning of Year	187,489	20,733	15,527	925,464	1,982,546	-	3,131,759	413,182	(624,604)	2,920,337
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,895,567	\$ 752,206	\$ 1,315,976	\$ 1,016,957	\$ -	\$ -	\$ 4,980,706	\$ 500,498	\$ -	\$ 5,481,204

See Independent Auditor's Report

NAVIGATOR SCHOOLS

OTHER INFORMATION

YEAR ENDED JUNE 30, 2025

NAVIGATOR

PRELIMINARY DRAFT

March 3, 2026

**ORGANIZATION STRUCTURE
Year Ended June 30, 2025**

Navigator Schools operates Gillroy Prep School, Hollister Prep School, Watsonville Prep School and Hayward Collegiate. Navigator Schools 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 the State Board of Education - Watsonville Prep. Watsonville Prep charter school number authorized by the state: 2032.

Navigator Schools began serving students at Hayward Collegiate in August 2021 and the charter school is sponsored by Alameda County Office of Education. Hayward Collegiate charter school number authorized by the state: 2027.

a. Members of the Board of Directors:

Name	Title	Term Expiration
Nora Crivello	Board Chair	June 30, 2026
Ian Connell	Board Vice Chair	June 30, 2026
Chuck Daggs	Member	June 30, 2026
Claire Grissom	Member	June 30, 2026
Shara Hegde	Member	June 30, 2026
Nina Rosete	Member	June 30, 2026
Jan Mazyck	Member	June 30, 2026
Anthony Di Vittorio	Member	June 30, 2026

b. Administrators:

Chief Executive Officer: Caprice Young
 Chief Financial Officer: Noel Russel-Unterberger

SECTION B

Independent Auditor's Report on State Compliance
and on Internal Control Over Compliance

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Directors
Navigator Schools

Report on Compliance**Opinion**

We have audited Navigator Schools (Navigator) compliance with the requirements in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the School's state program requirements identified below for the year ended June 30, 2025.

In our opinion, Navigator complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

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 the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards 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.

Auditor's Responsibilities for the Audit Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to below 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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, will always detect a material misstatement when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to below 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 state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 the School’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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Navigator’s compliance with the state laws and regulations applicable to the items below.

2024-25 K12 Audit Guide Procedures	Procedures Performed*
School Districts, County Offices of Education, and Charter Schools:	
T. Proposition 28 Arts and Music in Schools	Yes
U. After/Before School Education and Safety Program	Not Applicable
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study-Course Based	Not Applicable
Z. Immunizations	Not Applicable
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant	Yes**
CZ. Career Technical Education Incentive Grant	Not Applicable
DZ. Expanded Learning Opportunities Program	Yes
EZ. Transitional Kindergarten	Yes
FZ. Kindergarten Continuance	Yes
Charter Schools:	
AA. Attendance	Yes
BB. Mode of Instruction	Yes
CC. Nonclassroom-Based Instruction/Independent Study	Not Applicable
DD. Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
EE. Annual Instructional Minutes - Classroom Based	Yes
FF. Charter School Facility Grant Program	Yes***

*“Not Applicable” is used in the table above to indicate that Navigator either did not receive program funding or did not otherwise operate the program during the fiscal year.

** Only applied to Hollister Prep and Watsonville Prep

*** Only applied to Hayward Collegiate and Watsonville Prep

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

PRELIMINARY DRAFT
March 3, 2026

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2025-1 and 2025-2. Our opinion is not modified with respect to his matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Navigator's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Navigator's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

GREEN HASSON & JANKS LLP

March ____, 2026
Los Angeles, California

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
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SCHEDULES OF FINDINGS AND QUESTIONED COSTS
June 30, 2025

SECTION I - SCHEDULE OF AUDITOR'S FINDINGS

Current year audit findings identified below have been coded as follows:

<u>Five Digit Code</u>	<u>Finding Type</u>
30000	Internal Control
40000	State Compliance

- **2025 - 1: Attendance Reporting**

Hollister Prep - Charter Number 1507

Finding Code: 30000, 40000

Criteria: Pursuant to the provisions of Education Code section 47612 and title 5, California Code of Regulations, section 11960, an LEA shall have P2 and Annual reports of attendance submitted to the CDE supported by written contemporaneous records that document all pupil attendance included in the charter school's ADA calculations.

Condition: ADA submitted per the School's P-2 reports is not in line with attendance report from the School's Student Information System.

Effect: The School is not in compliance with Education code section 47612 and title 5, California Code of Regulations, section 11960.

Cause: Monitoring of attendance reporting was insufficient to catch any errors incurred during P-2 reporting process where the calendar setup in the student information system was incorrectly set up.

Impact on ADA, LCFF and Funding: The School under reported 2.78 of ADA on P-2 report. P-Annual was correctly reported. There is no estimated questioned cost.

Repeat Finding: No

Recommendation: We recommend that management strengthen its controls to ensure that all inputs are reviewed by a secondary employee.

Management's Response: *Open*

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
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SCHEDULES OF FINDINGS AND QUESTIONED COSTS
June 30, 2025

SECTION I - SCHEDULE OF AUDITOR’S FINDINGS (continued)

- **2025 - 2: Transitional Kindergarten (TK) Early Enrollment - Average Class Enrollment**

Watsonville Prep - Charter Number 2032

Finding Code: 30000, 40000

Criteria: Pursuant to Education Code 48000.15 (e)(1) the average class enrollment for classes with early enrollment students should not exceed 20.

Condition: During TK early enrollment testing we identified two classrooms at Watsonville Prep that had early enrollment students assigned. When testing the average class enrollments for these classes, we noted that the average enrollment for each classroom tested exceeded the 20 student maximum.

Effect: The School is not in compliance with Education Code 48000.15(e)(1).

Cause: Monitoring of early enrollment students was insufficient to ensure the average class enrollment did not exceed 20.

Impact on ADA, LCFF and Funding: Questioned costs for Watsonville Prep totaled \$29,454. The questioned cost calculator is listed below:

Penalty Calculation for Schoolsite, Average TK Enrollment Exceeding 20. <i>Education Code Section 48000.15(e)(1)(B)</i>			
Line Number	Calculating the Cost of TK Early Enrollment Audit Finding	Instructions	Penalty Inputs and Penalty Amount
1	LEA P2 ADA for all classrooms with early enrollment children	Enter LEA's P-2 ADA for all TK classrooms with one or more early enrollment children	28
2	TK/K-3 GSA Rate	Use link on Instructions tab to locate FY TK/K-3 GSA rate.	1,043
3	Penalty	Calculated field	29,454

Repeat Finding: Yes

Recommendation: We recommend that management strengthen its controls to ensure average enrollment of class is continued monitored with compliance requirements.

Management’s Response: *Open*

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
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SCHEDULES OF FINDINGS AND QUESTIONED COSTS June 30, 2025

SECTION II - SCHEDULE OF PRIOR AUDIT FINDINGS

2024 - 001: Internal Controls Relating to Financial Close and Reporting Process

Finding Code: 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: Significant delays in completing and issuing the audit report due to the financial close and reporting process. A total of 11 adjustments were posted after the trial balance was received which were audit adjustments. The client also provided closing entries.

Status: Current year finding reported as 2025 - 3 in Section C

2024 - 002: Expanded Learning Opportunities Program (ELOP) Registration Forms

Finding Code: 30000, 4000

Watsonville Prep - Charter Number 2032 and Hayward Collegiate - Charter Number 2027

Type of finding: Significant deficiency over the internal control to collect signed ELOP registration forms.

Condition: During ELOP testing, we selected a representative sample of students with submitted registration forms. We found that five out of the 48 students sampled did not have completed program registration forms. Of the incomplete forms, Watsonville Prep had one and Hayward Collegiate had four.

Status: Planned corrective action completed during the year ended June 30, 2025

2024 - 003: Transitional Kindergarten (TK) Early Enrollment - Average Class Enrollment

Finding Code: 30000, 4000

Watsonville Prep - Charter Number 2032

Type of finding: Significant deficiency over the internal controls to monitor average class enrollment of classrooms with early enrollment TK students.

Condition: During TK early enrollment testing we identified two classrooms at Watsonville Prep that had early enrollment students assigned. When testing the average class enrollments for these classes, we noted that the average enrollment for each classroom tested exceeded the 20 student maximum.

Status: Current year finding reported as 2025 - 2

SECTION C

REPORTS REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
(CFR) PART 200, UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE)

PRELIMINARY DRAFT**March 3, 2026**TO BE RETURNED TO GREEN HASSON &
JANKS LLP AND NOT TO BE REPRODUCED
IN ANY FORM WITHOUT PERMISSION

To the Board of Directors
Navigator Schools

We have audited the consolidated financial statements of Navigator Schools (Navigator) as of and for the year ended June 30, 2025 and have issued our report thereon dated March ____, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Consolidated Financial Statement Audit

As communicated in our engagement letter dated June 11, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of consolidated financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of Navigator solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies, material weaknesses, and other matters noted during our audit in a separate letter to you dated March ____, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope we previously communicated to you. However, we experienced a delay in completing the audit due to turnover in the accounting team of Navigator and resulting delays in completion of the year end closing and general ledger account reconciliations.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

The following are presumed significant risks under auditing standards generally accepted in the United States of America: (1) the risk of improper revenue recognition, which for Navigator arises primarily in the area of improper revenue recognition through misallocation of costs to cost-reimbursement contracts, and (2) the risk of management override of controls. We designed our audit procedures to address these presumed significant risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Navigator is included in Note 1 to the consolidated financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There were no such significant accounting estimates affecting the consolidated financial statements.

Consolidated Financial Statement Disclosures

Certain consolidated financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to consolidated financial statement users. The most sensitive disclosures affecting Navigator's consolidated financial statements relate to revenue recognition and the prior period adjustment in Note 10.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified.

Significant Difficulties Encountered during the Audit

Although we ultimately received full cooperation of management and believe that we were given direct and unrestricted access to Navigator's books and records, we encountered significant difficulties in performing and completing the audit process. Principally, these difficulties related to the condition of the books and records, as well as the turnover of accounting personnel.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the consolidated financial statements as a whole. The attached schedule, **Proposed Adjusting Journal Entries**, summarizes uncorrected consolidated financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period consolidated financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the consolidated financial statements currently under audit.

To the Board of Directors
Navigator Schools
Page 3

PRELIMINARY DRAFT
March 3, 2026

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule, **Adjusting Journal Entries**, summarizes material misstatements that we identified as a result of our audit procedures and that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Navigator's consolidated financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Modification of the Auditor's Report

As discussed in Note 10 to the consolidated financial statements, beginning net assets as of July 1, 2024, have been restated. An emphasis-of-matter paragraph has been added to our auditor's report regarding this matter.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated March ____, 2026

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters, other than Charter Impact.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Navigator, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Navigator's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of Navigator and is not intended to be and should not be used by anyone other than these specified parties.

GREEN HASSON & JANKS LLP

March ____, 2026
Los Angeles, California

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Proposed Adjusting Journal Entries - 407 LLC**

Account	Description	Debit	Credit
Proposed Journal Entries JE # 101			
To properly reflect the effect on Net assets due to over-amortization of FA in prior periods.			
6900	Depreciation	179,058.00	
9700	Fund Balance		179,058.00
Total		179,058.00	179,058.00

PRELIMINARY DRAFT
March 3, 2026

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Proposed Adjusting Journal Entries - CMO**

Account	Description	Debit	Credit
Proposed Journal Entries JE # 1001			
To correct over accrued payroll liabilities.			
9590	Payroll Accrual	145,149.00	
1300	SALARIES:CE Supervisor & Admin Salaries		145,149.00
Total		<u>145,149.00</u>	<u>145,149.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Proposed Adjusting Journal Entries - Gilroy Prep**

Account	Description	Debit	Credit
Proposed Journal Entries JE # 1001			
To revise GPS over accrued CY lottery revenue.			
8300	State Revenues	25,687.00	
9200	Accounts Receivable		25,687.00
Total		<u>25,687.00</u>	<u>25,687.00</u>
Proposed Journal Entries JE # 1002			
To record extrapolation error for contributions testing.			
8800	Donations/Fundraising	38,663.00	
9700	Fund Balance		38,663.00
Total		<u>38,663.00</u>	<u>38,663.00</u>
Proposed Journal Entries JE # 1003			
To reverse Parsec Education Inc. invoice for FY25/26 that paid in FY25/26 but over accrued in FY24/25.			
9500	Accounts Payable	34,503.00	
9330	Prepaid Expenses		34,503.00
Total		<u>34,503.00</u>	<u>34,503.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Proposed Adjusting Journal Entries - Hayward**

Account	Description	Debit	Credit
Proposed Journal Entries JE # 1001			
To true up PY ROU Asset and liability that were understated.			
9450	Right-Of-Use	32,572.00	
9700	Fund Balance		18,760.00
9801	Lease Liability- Long-Term		13,812.00
Total		<u>32,572.00</u>	<u>32,572.00</u>
Proposed Journal Entries JE # 1002			
To reduce prior year ILPT receivable balance to actual amount paid by HUSD.			
5810	Bad Debt	45,165.00	
9200	Accounts Receivable		45,165.00
Total		<u>45,165.00</u>	<u>45,165.00</u>
Proposed Journal Entries JE # 1003			
To record extrapolation error for contribution testing.			
8800	Donations/Fundraising	38,663.00	
9700	Fund Balance		38,663.00
Total		<u>38,663.00</u>	<u>38,663.00</u>
Proposed Journal Entries JE # 1004			
To record prior year lottery R1 adjustments that should've been cleared in prior period.			
9700	Fund Balance	18,673.00	
9200	Accounts Receivable		18,673.00
Total		<u>18,673.00</u>	<u>18,673.00</u>
Proposed Journal Entries JE # 1005			
To reverse Parsec Education Inc. invoice for FY25/26 that paid in FY25/26 but over accrued in FY24/25.			
9500	Accounts Payable	13,356.00	
9330	Prepaid Expenses		13,356.00
Total		<u>13,356.00</u>	<u>13,356.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Proposed Adjusting Journal Entries - Hollister Prep**

Account	Description	Debit	Credit
Proposed Journal Entries JE # 1001			
PAJE to record projected error for grant awarded in 23/24 to be recognized in appropriate period.			
8800	Donations/Fundraising	38,663.00	
9700	Fund Balance		38,663.00
Total		<u>38,663.00</u>	<u>38,663.00</u>
Proposed Journal Entries JE # 1002			
To record prior year lottery R1 adjustments that should've been cleared in prior period.			
9700	Fund Balance	18,654.00	
9200	Accounts Receivable		18,654.00
Total		<u>18,654.00</u>	<u>18,654.00</u>
Proposed Journal Entries JE # 1003			
To reverse Parsec Education Inc. invoice for FY25/26 that paid in FY25/26 but over accrued in FY24/25.			
9500	Accounts Payable	34,503.00	
9330	Prepaid Expenses		34,503.00
Total		<u>34,503.00</u>	<u>34,503.00</u>

Client: **Proposed Adjusting Journal Entries**
 Period Ending: **June 30, 2025**
 Workpaper: **Proposed Adjusting Journal Entries - Watsonville Prep**

Account	Description	Debit	Credit
Proposed Journal Entries JE # 1001			
To remove debit balance in Notes Payable account due to duplicate entries.			
9503	Interest Payable	31,902.00	
9677	Notes Payable - LIIF		31,902.00
Total		<u>31,902.00</u>	<u>31,902.00</u>
Proposed Journal Entries JE # 1002			
To true up interest expenses related to the PCSD loan.			
5843	Interest Expense	35,000.00	
9503	Interest Payable		35,000.00
Total		<u>35,000.00</u>	<u>35,000.00</u>
Proposed Journal Entries JE # 1003			
To record extrapolation error for contributions testing.			
8800	Donations/Fundraising	38,664.00	
9700	Fund Balance		38,664.00
Total		<u>38,664.00</u>	<u>38,664.00</u>
Proposed Journal Entries JE # 1004			
To write off Title I funding receivables that should've been cleared up in prior year.			
9700	Fund Balance	47,253.00	
9200	Accounts Receivable		47,253.00
Total		<u>47,253.00</u>	<u>47,253.00</u>
Proposed Journal Entries JE # 1005			
To record prior year lottery R1 adjustments that should've been cleared in prior period.			
9700	Fund Balance	25,926.00	
9200	Accounts Receivable		25,926.00
Total		<u>25,926.00</u>	<u>25,926.00</u>
Proposed Journal Entries JE # 1006			
To reverse Parsec Education Inc. invoice for FY25/26 that paid in FY25/26 but over accrued in FY24/25.			
9500	Accounts Payable	28,937.00	
9330	Prepaid Expenses		28,937.00
Total		<u>28,937.00</u>	<u>28,937.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - 407 LLC**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Late Client Entry JE#2 to reclass liabilities write-off revenue from interest revenue into other local income.			
8600	Other Local Revenue	647.00	
8660	Other Local Revenue: Interest Income		647.00
Total		647.00	647.00
Adjusting Journal Entries JE # 2			
Late Client Entry JE#4 to correct current year depreciation and fixed assets.			
9420	Leasehold Improvements	6,202.00	
9425	Accum. Depreciation-Leasehold Improvements	933.00	
9425	Accum. Depreciation-Leasehold Improvements	179,058.00	
6900	Depreciation		179,058.00
9460	Furniture and Equipment		6,202.00
9465	Accumulated Depreciation - Furniture & Fixtures		933.00
Total		186,193.00	186,193.00
Adjusting Journal Entries JE # 3			
Late Client Entry JE#5 to move PCSD loan balance from WPS to 407 LLC.			
9624	Due to/from WPS	230,789.00	
9678	Notes Payable - PCSD		230,789.00
Total		230,789.00	230,789.00
Adjusting Journal Entries JE # 4			
Late Client Entry JE#6 to remove old outstanding checks and deposits in transit in various cash accounts.			
9621	Due to/from CMO	30,300.00	
9122	Banking: US Bank 2242		30,300.00
Total		30,300.00	30,300.00
Adjusting Journal Entries JE # 5			
Late Client Entry JE#7 to clear up intercompany cash and due to/from balance.			
9128	Banking:SCC Bank Checking	230,789.00	
9135	Banking:EW Money Market	304,928.00	
9625	Due to/from 407	2,395,180.00	
9128	Banking:SCC Bank Checking		304,928.00
9621	Due to/from CMO		2,395,180.00
9624	Due to/from WPS		230,789.00
Total		2,930,897.00	2,930,897.00
Adjusting Journal Entries JE # 6			
Late Client Entry JE#10 to accrue FY24/25 expenses paid in FY25/26.			
5535	Utilities - All Utilities	57,247.00	
9514	other payables		57,247.00
Total		57,247.00	57,247.00

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - 407 LLC**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
Non-attest Entry to record CY lease activity and true up ROU balances.			
5611	Rent/Lease Facilities	198,732.00	
9801	Lease Liability- Long-Term	649,891.00	
9801	Lease Liability- Long-Term	126,271.00	
9250	Accumulated Amortization		203,742.00
9450	Right-Of-Use		644,881.00
9800	Lease Liability- Current		126,271.00
Total		<u>974,894.00</u>	<u>974,894.00</u>
Adjusting Journal Entries JE # 8			
To reconcile lease expense and income as of June 30, 2025.			
8601	Rent Income	272,700.00	
9624	Due to/from WPS	60,600.00	
5611	Rent/Lease Facilities		333,300.00
Total		<u>333,300.00</u>	<u>333,300.00</u>
Adjusting Journal Entries JE # 9			
To record intercompany straight-line expense income and adjust prior year.			
9300	Deferred Rent Asset	1,151,213.00	
8601	Rent Income		526,607.00
9700	Fund Balance		624,606.00
Total		<u>1,151,213.00</u>	<u>1,151,213.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - CMO**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Late Client Entry JE2 to reclass liabilities write-off revenue from interest revenue into other local income.			
8660	Other Local Revenue: Interest Income	186,939.00	
8600	Other Local Revenue		186,939.00
Total		<u>186,939.00</u>	<u>186,939.00</u>
Adjusting Journal Entries JE # 2			
Late Client Entry JE#3 to adjust year-end accrued PTO.			
1200	SALARIES:CE Pupil Support Salaries	6,655.00	
1300	SALARIES:CE Supervisor & Admin Salaries	64,014.00	
2200	SALARIES:Classified Support Salaries	14,646.00	
2300	SALARIES:CL Supervisor & Admin Salaries	21,155.00	
2400	SALARIES:CL Clerical & Office Salaries	5,008.00	
2900	SALARIES:Classified Other Salaries	36,829.00	
9590	Payroll Accrual		148,307.00
Total		<u>148,307.00</u>	<u>148,307.00</u>
Adjusting Journal Entries JE # 3			
Late Client Entry JE#4 to correct current year depreciation.			
6900	Depreciation	31.00	
9425	Accum. Depreciation-Leasehold Improvements		31.00
Total		<u>31.00</u>	<u>31.00</u>
Adjusting Journal Entries JE # 4			
Late Client Entry JE#6 to remove old outstanding checks and deposits in transit in various cash accounts.			
9128	Banking:SCC Bank Checking	11,333.00	
9128	Banking:SCC Bank Checking	30,300.00	
9128	Banking:SCC Bank Checking	28,567.00	
8600	Other Local Revenue		28,567.00
9122	Banking: US Bank 2242		11,333.00
9625	Due to/from 407		30,300.00
Total		<u>70,200.00</u>	<u>70,200.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - CMO**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 5			
Late Client Entry JE#7 to clear up intercompany cash and due to/from balance.			
9128	Banking:SCC Bank Checking	377,096.00	
9128	Banking:SCC Bank Checking	652,428.00	
9135	Banking: EW Money Market	2,187,786.00	
9621	Due to/from CMO	7,600.00	
9623	Due to/from Hollister	316,343.00	
9624	Due to/from Watsonville	976,726.00	
9625	Due to/from 407	2,395,180.00	
9135	Banking: EW Money Market		644,711.00
9137	Banking: EW Operating		7,717.00
9514	Other Payable		3,379,506.00
9622	Due to/from Gilroy		287,698.00
9624	Due to/from Watsonville		355,543.00
9626	Due to/from HC		2,237,984.00
Total		<u>6,913,159.00</u>	<u>6,913,159.00</u>
Adjusting Journal Entries JE # 6			
Late Client Entry JE#9 to write off credit card liability that no longer valid.			
9515	Rabobank Credit Card x2405	171,829.00	
8600	Other Local Revenue		171,829.00
Total		<u>171,829.00</u>	<u>171,829.00</u>
Adjusting Journal Entries JE # 7			
Late Client Entry JE#10 to accrue FY24/25 expenses paid in FY25/26.			
3400	Employee Benefits:Health & Welfare Benefits	20,246.00	
5845	Legal Fees	10,000.00	
9410	Construction in progress	13,200.00	
9514	Other Payable		33,446.00
9514	Other Payable		10,000.00
Total		<u>43,446.00</u>	<u>43,446.00</u>
Adjusting Journal Entries JE # 8			
Non-attest Entry to record CY lease activity and true up ROU balances.			
5611	Rent/Lease Facilities	614.00	
9450	Right-Of-Use	51,074.00	
9800	Lease Liability- Current	3,343.00	
9250	Accumulated Amortization		26,954.00
9801	Lease Liability- Long-Term		28,077.00
Total		<u>55,031.00</u>	<u>55,031.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - CMO**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 9			
Late Client Entry JE#11 to recognize SPARK Grant from deferred revenue as conditions met.			
9620	Deferred Revenue	241,227.00	
8810	Grant Revenue		241,227.00
Total		241,227.00	241,227.00
Adjusting Journal Entries JE # 10			
Late Client Entry RJE 1.28.26 to reclass expense within account 5999 into the corresponding expense account that reflects the nature of expense.			
3101	Employee Benefits:State Teacher Retirement System	3,000.00	
5701	Tech-Software, R&M, SIS, Services	22,397.00	
5999	Previous Year Prepaid		25,397.00
Total		25,397.00	25,397.00
Adjusting Journal Entries JE # 11			
Late Client Entry JE#14 to remove double-counted AR/liabilities write-off from other revenue and bad debt expense.			
8600	Other Local Revenue	5,256.00	
5810	Bad Debt		5,256.00
Total		5,256.00	5,256.00
Adjusting Journal Entries JE # 12			
Audit Adjustment to correct Charles Schwab Foundation grant to prior period.			
8810	Grant Revenue	250,000.00	
9700	Fund Balance		250,000.00
Total		250,000.00	250,000.00
Adjusting Journal Entries JE # 13			
Audit Adjustment to correct the balance sheet write off amount into prior period.			
8600	Other Local Revenue	413,877.00	
9700	Fund Balance		413,877.00
Total		413,877.00	413,877.00
Adjusting Journal Entries JE # 14			
Audit Adjustment to recognize SPARK Grant in FY24 as condition met in prior period per grantor.			
8810	Grant Revenue	241,227.00	
9700	Fund Balance		241,227.00
Total		241,227.00	241,227.00

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - CMO**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 15			
Non-attest Etnry to record Finance Leases as of 6/30/2025.			
5610	Rent/Lease Copier/Equipment	312.00	
GHJ-1	Right of use Asset - Finance	36,494.00	
GHJ-2	Lease Liability - Finance	7,732.00	
GHJ-2	Lease Liability - Finance		36,806.00
GHJ-2.1	Lease Liability - Finance Current		7,732.00
Total		<u>44,538.00</u>	<u>44,538.00</u>
Adjusting Journal Entries JE # 16			
To reflect current year activities for 407 Main St LLC into consolidated financial statements.			
9514	Other Payable	177,662.00	
GHJ-3	Gain/Loss from Ownership in Subsidiary		177,662.00
Total		<u>177,662.00</u>	<u>177,662.00</u>

PRELIMINARY DRAFT
March 3, 2026

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Gilroy Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Audit adjustment to accrue district oversight fees for FY24-25.			
5824	District Oversight Fees	195,753.00	
9500	Accounts Payable		195,753.00
Total		<u>195,753.00</u>	<u>195,753.00</u>
Adjusting Journal Entries JE # 2			
Late Client Entry JE#2 to reclass liabilities write-off revenue from interest revenue into other local income.			
8660	Other Local Revenue: Interest Income	685,209.00	
8600	Other Local Revenue		685,209.00
Total		<u>685,209.00</u>	<u>685,209.00</u>
Adjusting Journal Entries JE # 3			
Late Client Entry #3 to adjust year-end accrued PTO.			
1300	SALARIES:CE Supervisor & Admin Salaries	3,093.00	
2104	SALARIES:Special Education	3,270.00	
2900	SALARIES:Classified Other Salaries	5,547.00	
2904	SALARIES:Other CL - Security/yard Duty	1,941.00	
2930	SALARIES:Other CL - Maintenance/grounds	5,989.00	
9590	Payroll Accrual		19,840.00
Total		<u>19,840.00</u>	<u>19,840.00</u>
Adjusting Journal Entries JE # 4			
Late Client Entry JE#5 to correct current year depreciation.			
6900	Depreciation	1,647.00	
9425	Accum. Depreciation-Leasehold Improvements		1,647.00
Total		<u>1,647.00</u>	<u>1,647.00</u>
Adjusting Journal Entries JE # 5			
Late Client Entry JE#7 to clear up intercompany cash and due to/from balance			
9621	Due to/from CMO	287,698.00	
9624	Due to/from Watsonville	29,711.00	
9626	Due to/from HC	327.00	
9128	Banking:SCC Bank Checking		20,733.00
9135	Banking: EW Money Market		296,284.00
9623	Due to/from Hollister		719.00
Total		<u>317,736.00</u>	<u>317,736.00</u>
Adjusting Journal Entries JE # 6			
Late Client Entry JE#10 to accrue FY24/25 expenses paid in FY25/26.			
3400	Employee Benefits:Health & Welfare Benefits	21,467.00	
9514	Other payables		21,467.00
Total		<u>21,467.00</u>	<u>21,467.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Gilroy Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
Non-attest Entry to record CY lease activity and true up ROU balances.			
9250	Accumulated Amortization	21,639.00	
9800	Lease Liability- Current	7,856.00	
9801	Lease Liability- Long-Term	22,747.00	
9450	Right-Of-Use		52,242.00
Total		<u>52,242.00</u>	<u>52,242.00</u>
Adjusting Journal Entries JE # 8			
Late Client Entry RJE 1.28.26 to reclass expense within account 5999 into the corresponding expense account that reflects the nature of expense.			
4100	Textbooks	8,488.00	
4410	Classroom Furn and Equip	33,611.00	
4501	Tech-Supplies/Hardware	1,821.00	
5305	Dues & Membership Professiona;	8,370.00	
5701	Tech-Software, R&M, SIS, Services	78,435.00	
5910	Communications - Internet	10,978.00	
5999	Previous Year Prepaid		141,703.00
Total		<u>141,703.00</u>	<u>141,703.00</u>
Adjusting Journal Entries JE # 9			
Late Client Entry JE#14 to remove double-counted AR/liabilities write-off from other revenue and bad debt expense.			
8600	Other Local Revenue	31,070.00	
5810	Bad Debt		31,070.00
Total		<u>31,070.00</u>	<u>31,070.00</u>
Adjusting Journal Entries JE # 10			
Audit Adjustment to correct the balance sheet write off amount into prior period.			
8600	Other Local Revenue	701,547.00	
9700	Fund Balance		701,547.00
Total		<u>701,547.00</u>	<u>701,547.00</u>
Adjusting Journal Entries JE # 11			
Non-attest Entry to record Finance Leases as of 6/30/2025.			
5610	Rent/Lease Copier/Equipment	561.00	
GHJ-1	Right of Use Asset - Finance	144,456.00	
GHJ-2	Lease Liability - Finance		116,148.00
GHJ-2.1	Lease Liability - Finance Current		28,869.00
Total		<u>145,017.00</u>	<u>145,017.00</u>
Adjusting Journal Entries JE # 12			
Late client entry - JE15 to recognized Silicon/Elevate Grants.			
9200	Accounts Receivable	52,800.00	
8810	Grant Revenue		52,800.00
Total		<u>52,800.00</u>	<u>52,800.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Hayward**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Late Client Entry JE#1 to adjust write off outstanding items upon Fremont Bank closure.			
8600	Other Local Revenue	36,759.00	
9132	Fremont Bank		36,759.00
Total		36,759.00	36,759.00
Adjusting Journal Entries JE # 2			
Late Client Entry JE#2 to reclass liabilities write-off revenue from interest revenue into other local income.			
8660	Other Local Revenue: Interest Income	164,781.00	
8600	Other Local Revenue		164,781.00
Total		164,781.00	164,781.00
Adjusting Journal Entries JE # 3			
Late Client Entry JE#3 to adjust year-end accrued PTO.			
1300	SALARIES:CE Supervisor & Admin Salaries	3,093.00	
2900	SALARIES:Classified Other Salaries	5,746.00	
2901	SALARIES:Site Tech	4,178.00	
2930	SALARIES:Other CL - Maintenance/grounds	560.00	
9590	Payroll Accrual		13,577.00
Total		13,577.00	13,577.00
Adjusting Journal Entries JE # 4			
Late Client Entry JE#4 to correct current year depreciation.			
9425	Accum. Depreciation-Leasehold Improvements	11.00	
6900	Depreciation		11.00
Total		11.00	11.00
Adjusting Journal Entries JE # 5			
Late Client Entry JE#7 to clear up intercompany cash and due to/from balance.			
9621	Due to/from CMO	2,237,985.00	
9624	Due to/from Watsonville	119.00	
8600	Other Local Revenue		1.00
9128	Banking:SCC Bank Checking		31,907.00
9135	Banking: EW Money Market		2,205,454.00
9622	Due to/from Gilroy		327.00
9623	Due to/from Hollister		415.00
Total		2,238,104.00	2,238,104.00

PRELIMINARY DRAFT
March 3, 2026

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Hayward**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
Late Client Entry JE#10 to accrue FY24/25 expenses paid in FY25/26.			
3400	Employee Benefits:Health & Welfare Benefits	7,614.00	
5824	District Oversight Fees	17,317.00	
9410	Construction in progress	27,426.00	
9514	Other Payables		35,039.00
9517	Due to Grantor		17,318.00
Total		<u>52,357.00</u>	<u>52,357.00</u>
Adjusting Journal Entries JE # 7			
Non-attest Entry to record CY lease activity and true up ROU balances.			
5611	Rent/Lease Facilities	65,849.00	
9450	Right-Of-Use	32,572.00	
9801	Lease Liability- Long-Term	66,417.00	
9801	Lease Liability- Long-Term	7,396.00	
5611	Rent/Lease Facilities		18,760.00
9250	Accumulated Amortization		120,058.00
9450	Right-Of-Use		12,208.00
9800	Lease Liability- Current		7,396.00
9801	Lease Liability- Long-Term		13,812.00
Total		<u>172,234.00</u>	<u>172,234.00</u>
Adjusting Journal Entries JE # 8			
Late Client Entry RJE 1.28.26 to reclass expense within account 5999 into the corresponding expense account that reflects the nature of expense.			
4100	Textbooks	3,223.00	
4410	Classroom Furn and Equip	6,614.00	
5305	Dues & Membership Professiona;	3,178.00	
5701	Tech-Software, R&M, SIS, Services	62,294.00	
5910	Communications - Internet	22,251.00	
5999	Previous Year Prepaid		97,560.00
Total		<u>97,560.00</u>	<u>97,560.00</u>
Adjusting Journal Entries JE # 9			
Late Client Entry JE#14 to remove double-counted AR/liabilities write-off from other revenue and bad debt expense.			
8000	Gnl Purpose Entitlement LCFF	42,281.00	
8600	Other Local Revenue	59,108.00	
5810	Bad Debt		101,389.00
Total		<u>101,389.00</u>	<u>101,389.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Hayward**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 10			
Audit Adjustment to correct the balance sheet write off amount into prior period.			
9700	Fund Balance	41,994.00	
8600	Other Local Revenue		41,994.00
Total		41,994.00	41,994.00
Adjusting Journal Entries JE # 11			
Non-attest Etnry to record Finance Leases as of 6/30/2025.			
5610	Rent/Lease Copier/Equipment	246.00	
GHJ-1	Right of Use Asset - Finance	63,230.00	
GHJ-2	Lease Liability - Finance	12,636.00	
GHJ-2	Lease Liability - Finance		63,476.00
GHJ-2.1	Lease Liability - Finance Current		12,636.00
Total		76,112.00	76,112.00
Adjusting Journal Entries JE # 12			
Late client entry - JE15 to recognized Silicon/Elevate Grants.			
9200	Accounts Receivable	52,800.00	
8810	Grant Revenue		52,800.00
Total		52,800.00	52,800.00

PRELIMINARY DRAFT
March 3, 2026

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Hollister Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Audit adjustment to accrue for district oversight fees for FY24-25.			
5535	Utilities - All Utilities	97,509.00	
5824	District Oversight Fees	183,874.00	
9500	Accounts Payable		281,383.00
Total		<u>281,383.00</u>	<u>281,383.00</u>
Adjusting Journal Entries JE # 2			
Late Client Entry JE#2 to reclass liabilities write-off revenue from interest revenue into other local income.			
8660	Other Local Revenue: Interest Income	292,178.00	
8600	Other Local Revenue		292,178.00
Total		<u>292,178.00</u>	<u>292,178.00</u>
Adjusting Journal Entries JE # 3			
Late Client Entry JE#3 to adjust year-end accrued PTO.			
1300	SALARIES:CE Supervisor & Admin Salaries	3,093.00	
2900	SALARIES:Classified Other Salaries	1,587.00	
2901	SALARIES:Site Tech	3,360.00	
2904	SALARIES:Other CL - Security/yard Duty	1,732.00	
2930	SALARIES:Other CL - Maintenance/grounds	6,818.00	
9590	Payroll Accrual		16,590.00
Total		<u>16,590.00</u>	<u>16,590.00</u>
Adjusting Journal Entries JE # 4			
Late Client Entry JE#4 to correct current year depreciation.			
6900	Depreciation	1,544.00	
9425	Accum. Depreciation-Leasehold Improvements		1,544.00
Total		<u>1,544.00</u>	<u>1,544.00</u>
Adjusting Journal Entries JE # 5			
Late Client Entry JE#7 to clear up intercompany cash and due to/from balance.			
9135	Banking: EW Money Market	313,952.00	
9199	Undeposited Funds	25,922.00	
9622	Due to/from Gilroy	1,605.00	
9624	Due to/from Watsonville	1,256.00	
9626	Due to/from HC	416.00	
8600	Other Local Revenue		25,922.00
9621	Due to/from CMO		317,229.00
Total		<u>343,151.00</u>	<u>343,151.00</u>
Adjusting Journal Entries JE # 6			
Late Client Entry JE#10 to accrue FY24/25 expenses paid in FY25/26.			
3400	Employee Benefits:Health & Welfare Benefits	42,728.00	
9514	Other payables		42,728.00
Total		<u>42,728.00</u>	<u>42,728.00</u>

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Hollister Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
Non-attest Entry to record CY lease activity and true up ROU balances.			
9250	Accumulated Amortization	21,639.00	
9800	Lease Liability- Current	7,856.00	
9801	Lease Liability- Long-Term	22,747.00	
9450	Right-Of-Use		52,242.00
Total		<u>52,242.00</u>	<u>52,242.00</u>
Adjusting Journal Entries JE # 8			
Late Client Entry RJE 1.28.26 to reclass expense within account 5999 into the corresponding expense account that reflects the nature of expense.			
4100	Textbooks	8,489.00	
4410	Classroom Furn and Equip	5,549.00	
5305	Dues & Membership Professiona;	8,277.00	
5701	Tech-Software, R&M, SIS, Services	64,171.00	
5999	Previous Year Prepaid		86,486.00
Total		<u>86,486.00</u>	<u>86,486.00</u>
Adjusting Journal Entries JE # 9			
Late Client Entry JE#14 to remove double-counted AR/liabilities write-off from other revenue and bad debt expense.			
8600	Other Local Revenue	16,746.00	
5810	Bad Debt		16,746.00
Total		<u>16,746.00</u>	<u>16,746.00</u>
Adjusting Journal Entries JE # 10			
Audit Adjustment to correct the balance sheet write off amount into prior period.			
8600	Other Local Revenue	313,773.00	
9700	Fund Balance		313,773.00
Total		<u>313,773.00</u>	<u>313,773.00</u>
Adjusting Journal Entries JE # 11			
Non-attest Entry to record Finance Leases as of 6/30/2025.			
5610	Rent/Lease Copier/Equipment	722.00	
GHJ-1	Right of Use Asset - Finance	163,208.00	
GHJ-2	Lease Liability - Finance	32,842.00	
GHJ-2	Lease Liability - Finance		163,930.00
GHJ-2.1	Lease Liability - Finance Current		32,842.00
Total		<u>196,772.00</u>	<u>196,772.00</u>
Adjusting Journal Entries JE # 12			
Late client entry - JE15 to recognized Silicon/Elevate Grants.			
9200	Accounts Receivable	17,000.00	
8810	Grant Revenue		17,000.00
Total		<u>17,000.00</u>	<u>17,000.00</u>

PRELIMINARY DRAFT
March 3, 2026

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Watsonville Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Late Client Entry JE#2 to reclass liabilities write-off revenue from interest revenue into other local income.			
8660	Other Local Revenue: Interest Income	187,995.00	
8600	Other Local Revenue		187,995.00
Total		<u>187,995.00</u>	<u>187,995.00</u>
Adjusting Journal Entries JE # 2			
Late Client Entry JE#3 to adjust year-end accrued PTO.			
1300	SALARIES:CE Supervisor & Admin Salaries	3,093.00	
2400	SALARIES:CL Clerical & Office Salaries	5,823.00	
2900	SALARIES:Classified Other Salaries	1,587.00	
2901	SALARIES:Site Tech	1,412.00	
2930	SALARIES:Other CL - Maintenance/grounds	8,586.00	
9590	Payroll Accrual		20,501.00
Total		<u>20,501.00</u>	<u>20,501.00</u>
Adjusting Journal Entries JE # 3			
Late Client Entry JE#5 to move PCSD loan balance from WPS to 407 LLC.			
9672	Notes Payable (School)	230,789.00	
9625	Due to/from 407		230,789.00
Total		<u>230,789.00</u>	<u>230,789.00</u>
Adjusting Journal Entries JE # 4			
Late Client Entry JE#7 to clear up intercompany cash and due to/from balance.			
9135	Banking: EW Money Market	339,783.00	
9137	Banking: EW Operating	7,717.00	
9621	Due to/from CMO	355,543.00	
9624	Due to/from Watsonville	976,726.00	
9625	Due to/from 407	230,789.00	
9128	Banking:SCC Bank Checking		555,246.00
9128	Banking:SCC Bank Checking		347,500.00
9621	Due to/from CMO		976,726.00
9622	Due to/from Gilroy		29,711.00
9623	Due to/from Hollister		1,256.00
9626	Due to/from HC		119.00
Total		<u>1,910,558.00</u>	<u>1,910,558.00</u>
Adjusting Journal Entries JE # 5			
Late Client Entry to correctly book intercompany lease expense.			
5611	Rent/Lease Facilities	399,101.00	
9200	Accounts Receivable		399,101.00
Total		<u>399,101.00</u>	<u>399,101.00</u>

PRELIMINARY DRAFT
March 3, 2026

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Watsonville Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
Late Client Entry JE#10 to accrue FY24/25 expenses paid in FY25/26.			
3400	Employee Benefits:Health & Welfare Benefits	47,193.00	
5535	Utilities - All Utilities	57,247.00	
5815	Consultants - Instructional	25,220.00	
5824	District Oversight Fees	70,378.00	
9514	Other payables	18,892.00	
5869	Special Ed Contract Instructors		18,892.00
9514	Other payables		129,660.00
9517	Due to Grantor		70,378.00
Total		218,930.00	218,930.00
Adjusting Journal Entries JE # 7			
Non-attest Entry to record CY lease activity and true up ROU balances.			
5611	Rent/Lease Facilities	621,829.00	
9450	Right-Of-Use	7,093,339.00	
9801	Lease Liability- Long-Term	152,058.00	
9250	Accumulated Amortization		729,935.00
9800	Lease Liability- Current		152,058.00
9801	Lease Liability- Long-Term		6,985,233.00
Total		7,867,226.00	7,867,226.00
Adjusting Journal Entries JE # 8			
Late Client Entry RJE 1.28.26 to reclass expense within account 5999 into the corresponding expense account that reflects the nature of expense.			
4100	Textbooks	5,480.00	
4330	Office Supplies	193.00	
4410	Classroom Furn and Equip	20,331.00	
5305	Dues & Membership Professiona;	7,146.00	
5701	Tech-Software, R&M, SIS, Services	87,359.00	
5910	Communications - Internet	8,812.00	
5999	Previous Year Prepaid		129,321.00
Total		129,321.00	129,321.00
Adjusting Journal Entries JE # 9			
Late Client Entry JE#12 to reduce AR for Calder and Dishwasher grants per CI review.			
8600	Other Local Revenue	174,488.00	
9200	Accounts Receivable		174,488.00
Total		174,488.00	174,488.00

Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Watsonville Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 10			
Audit Adjustment to reclass WPS PY ELOP & AMS revenue that already written off from AR in bad debt.			
8300	State Revenues	403,214.00	
5810	Bad Debt		403,214.00
Total		403,214.00	403,214.00
Adjusting Journal Entries JE # 11			
Audit Adjustment to correct FY23/24 under accrued LCFF.			
8000	Gnl Purpose Entitlement LCFF	340,535.00	
9700	Fund Balance		340,535.00
Total		340,535.00	340,535.00
Adjusting Journal Entries JE # 12			
Late Client Entry JE#14 to remove double-counted AR/liabilities write-off from other revenue and bad debt expense.			
8000	Gnl Purpose Entitlement LCFF	25,582.00	
8300	State Revenues	21,085.00	
8600	Other Local Revenue	190,936.00	
5810	Bad Debt		237,603.00
Total		237,603.00	237,603.00
Adjusting Journal Entries JE # 13			
Audit Adjustment to correct the balance sheet write off amount into prior period.			
9700	Fund Balance	489,530.00	
8600	Other Local Revenue		489,530.00
Total		489,530.00	489,530.00
Adjusting Journal Entries JE # 14			
Non-attest Etnry to record Finance Leases as of 6/30/2025.			
5610	Rent/Lease Copier/Equipment	1,488.00	
GHJ-1	Right of Use Asset - Finance	172,874.00	
GHJ-2	Lease Liability - Finance	36,612.00	
GHJ-2	Lease Liability - Finance		174,362.00
GHJ-2.1	Lease Liability - Finance Current		36,612.00
Total		210,974.00	210,974.00
Adjusting Journal Entries JE # 15			
To reconcile lease payments for Beach Street as of June 30, 2025.			
5611	Rent/Lease Facilities	60,600.00	
9625	Due to/from 407		60,600.00
Total		60,600.00	60,600.00

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Client: **Navigator Schools**
 Period Ending: **June 30, 2025**
 Workpaper: **Adjusting Journal Entries - Watsonville Prep**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 16			
Late client entry - JE15 to recognized Silicon/Elevate Grants.			
9200	Accounts Receivable	52,800.00	
8810	Grant Revenue		52,800.00
Total		52,800.00	52,800.00

PRELIMINARY DRAFT

March 3, 2026

TO BE RETURNED TO GREEN HASSON &
JANKS LLP AND NOT TO BE REPRODUCED
IN ANY FORM WITHOUT PERMISSION

NAVIGATOR SCHOOLS

REPORTS REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
(CFR) PART 200, UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2025

NAVIGATOR SCHOOLS

REPORTS REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
(CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST
PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2025

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**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navigator Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Navigator Schools, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March ____, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Navigator Schools' internal control over financial reporting (internal control) as a basis for designing 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 Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Navigator Schools' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 Schools' consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-3 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as finding 2025-4 to be a significant deficiency.

To the Board of Directors
Navigator Schools

PRELIMINARY DRAFT
March 3, 2026

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Navigator Schools' 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*.

Navigator Schools' Response to Findings

Navigator Schools' response to the findings identified in our audit is described in the accompanying schedule of questioned costs. Navigator Schools' response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.

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 Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GREEN HASSON & JANKS LLP

March ____, 2026
Los Angeles, California

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navigator Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Navigator Schools' 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 Schools' major federal programs for the year ended June 30, 2025. Navigator Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Navigator Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended June 30, 2025.

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 (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Navigator Schools 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 Schools' 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 Schools' federal programs.

To the Board of Directors
Navigator Schools

PRELIMINARY DRAFT
March 3, 2026

Auditor's 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 Schools' 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 Schools' 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 Schools' 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 Schools' 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 Schools' 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025 - 4. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on Navigator Schools' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Navigator Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

To the Board of Directors
Navigator Schools

PRELIMINARY DRAFT
March 3, 2026

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-4 to be a significant deficiency.

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. *Government Auditing Standards* requires the auditor to perform limited procedures on Navigator's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Navigator's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

GREEN HASSON & JANKS LLP

March ____, 2026
Los Angeles, California

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	U.S. Department of Education, Pass-through State of California Department of Education: Title I, Basic Grants: Low-Income and Neglected
10.553/10.555	U.S. Department of Agriculture, Pass-through State of California Department of Education: Child Nutrition Cluster: School Breakfast Program and National School Lunch Program

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

Auditee qualified as a low-risk auditee? Yes No

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT

March 3, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025**SECTION II - FINANCIAL STATEMENTS FINDINGS****Finding 2025 - 3: Internal Controls Related to Financial Closing and Reporting Process**

Type of Finding: Material weakness in internal control over financial closing and reporting process related to the current year closing as well as adjustments to prior period reported balances.

Criteria: Management is responsible for ensuring accounts reported on the consolidated statement of financial statements are reconciled with current year activities, and are complete and accurate, and balances and activities are properly stated in the correct period in accordance with U.S. GAAP

Condition and Context: During the current year audit, we identified that certain accounts receivable and other liability balances were written off and recognized in the current year; however, these amounts pertained to prior reporting periods. Similarly, we also noted that reconciliations for current year end balances had not been completed accurately on a timely basis. Navigator experienced turnover in its accounting team that contributed to some of these issues. As a result, audit adjustments were required to properly record the activity in the appropriate period and correct the related misstatements.

Cause: The issues identified were primarily attributable to inaccurate recording of account balances throughout the fiscal year, combined with insufficient technical accounting review of general ledger accounts as part of the year-end closing process.

Effect or Potential Effect: An accumulated audit adjustment of \$1,729,435 was required to correct prior period net assets. Additionally, the completion of the current year audit was significantly delayed. Absent timely detection and correction, similar errors could result in material misstatements and inaccurate financial reporting.

Repeat finding: Yes.

Recommendation: We recommend that management strengthen internal controls over the financial reporting and year-end closing process to ensure that all general ledger accounts are accurately recorded throughout the fiscal year and properly reconciled to current-year activity at year end. This should include the timely preparation and review of account reconciliations, investigation and resolution of reconciling items, and retention of adequate supporting documentation for all material balances.

Views of Responsible Officials and Planned Corrective Action (unaudited): We agree with this finding and recommendation.

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT
March 3, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2025

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2025 - 4: Internal Controls Related to Review and Approval of Timecards

Assistance Listing Number: 84.010

Federal Agency: US Department of Education

Pass-Through Entity: California Sate Department of Education

Federal Program: Title I, Basic Grants: Low-Income and Neglected

Type of Finding: Significant deficiencies in internal control over compliance related to employee timecards monitoring process.

Criteria: Per 2 CFR §200.430, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must

- Be supported by a system of internal control providing reasonable assurance that charges are accurate, allowable, and properly allocated.
- Be incorporated into the official records of the entity.
- Reasonably reflect total activity for which the employee is compensated.
- Be reviewed and approved by a responsible supervisory official.

Management is responsible for establishing and maintaining effective internal controls to ensure payroll costs charged to Federal awards are accurate, properly supported, and periodically monitored.

Condition and Context: During our testing of payroll expenditures charged to the Title I grant, we identified deficiencies in the timekeeping and monitoring process. Specifically, for 4 of the 40 employee timecards tested, management was unable to locate the original timecards reflecting documented supervisory approval. As a result, evidence of required review and approval was not available for those payroll expenditures.

Cause: Inconsistent implementation of review controls by management and insufficient oversight to ensure compliance with Uniform Guidance payroll documentation requirements.

Effect or Potential Effect: Payroll costs charged to the Federal award may not accurately reflect actual time worked on the program. While no material questioned costs were identified as a result of our testing, the control deficiencies increase the risk of future noncompliance.

Repeat finding: Not a repeat finding.

NAVIGATOR SCHOOLS

PRELIMINARY DRAFT

March 3, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Recommendation: We recommend management develop and implement written policies and procedures for timekeeping and payroll allocation consistent with 2 CFR §200.430 and strengthen controls over the timecard review and approval controls.

Views of Responsible Officials and Planned Corrective Action (unaudited): We agree with this finding and recommendation.

SECTION IV - SUMMARY OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.

APPENDIX

Navigator Schools

Charter Training — Segregation of Duties Matrix

Date: March 1, 2026 | Based on the review of information below, functions are properly segregated

*3/3/2026 Revised to include Charter Impact procedure

Listing of Key Employees

	First & Last Name	Title
A	Caprice Young	CEO
B	Noel Russel-Unterburger	CFOO
C	Ami Ortiz	Director of Compliance, Ops, IT
D	Melissa Alatorre	Director of People Support
E	Andrew Huaracha	Accounting & Finance Supervisor
F	Serena Costanza	Staff Accountant
G	Ashley Alnas	AP Tech / Executive Assistant
H		Board of Directors
I		School Office Staff
J	Charter Impact	
	Roger Castillo	Director of Client Finance
	Yulia El Khoury	Accounting Manager
	Mary Jane Tan	Payroll Supervisor
	Alma De Luna	Payroll Specialist
	Keya Smith	Retirement Specialist
	Jessie Organista	AP Manager
	Jennifer Moran	AP Supervisor
	Carmela Uyeke	Senior Accountant

Function Type Legend

Function Key (for internal purposes only)	
A	Authorization function
R	Recordkeeping function
REC	Reconciliation function
C	Custody function

Segregation of Duties — Detailed Function Matrix

Employees A–I are identified in the table above. An X indicates the employee performs that function.

Cash Receipts & Donations Function — NOTE: Cash Receipts include cash, check and credit card receipts.												
Type	Function	A	B	C	D	E	F	G	H	I	J	Comments
C	1. Opens mail						X					
C	2. Receives from public/walk-in					X			X			
C	3. Prepares list of receipts (receipt log)					X			X			
C	4. Prepare deposit						X					
R	5. Post receipt to receivable subsidiary ledger										SA	
C	6. Transports deposit to bank					X						
R	7. Determines general ledger account					X					AM	
Rec	8. Monitors daily cash report or Cash in County postings					X					AM	
Rec	9. Compares receipt log with bank deposits		X								SA, AM	
R	10. Maintains cash receipts journals										SA, AM	
Rec	11. Compares bank deposits with general ledger posting										SA, AM	
R	12. Posts receipt to General Ledger										SA, AM	
Rec	13. Reviews general ledger and cash receipt information/documentation periodically for reasonableness, completeness and appropriateness.		X			X					AM	
R	14. Assures compliance with donor restrictions and/or compliance with grant agreement.	X	X			X					DCS	
A	15. Determine the allowance for doubtful accounts		X			X						
R	16. Post journal entries to update the allowance		X								AM	
R	17. Write off balances in the general ledger		X			X					AM	
C	18. Add a donor to the donor database					X					AM	
R	19. Add/delete/edit payments in the donor database					X					AM	
R	20. Write off balances in the donor database		X								AM	
Rec	21. Reconcile the donor database to the general ledger		X			X					SA, AM	
Rec	22. Review the reconciliation of the donor database to the general ledger		X			X					DCS, AM	

Program Service Revenue (only if material and/or significant such as TUITION, you need to define this):

Type	Function	A	B	C	D	E	F	G	H	I	Comments
A	1. Authorize a program or fee related revenue										
R	2. Change on-line program fees or revenue										
C	3. Access payments received in currency or checks										
R	4. Initiate a billing										
R	5. Initiate a credit memo										
A	6. Authorize a credit memo										
R	7. Change computer master files affecting services or program fees										
R	8. Change computer master files affecting customer accounts										

Cash Disbursement Function:

Type	Function	A	B	C	D	E	F	G	H	I	Comments
C	1. Access to blank check stock		X			X	X	X			
A	2. Approves disbursement		X								
R	3. Prepares checks						X	X			APS
A	4. Signs checks	X	X	X							
A	5. Counter signs checks	X	X	X							
A	6. Has access to authorized signature stamp										N/A
C	7. Prepares checks for mailing/mail checks						X	X			
R	8. Posts disbursement to general ledger						X				APS
R	9. Change on-line master files for accounts payable or vendors										Auto
Rec	10. Reconciles vendor statements to accounts payable subsidiary records					X	X				APS
Rec	11. Reconciles accounts payable subsidiary records to general ledger account						X				APM
R	12. Makes transfers					X					
Rec	13. Reviews bank transfers	X	X								
C	14. Receives, opens, and scans bank statement contents						X				
Rec	15. Reviews canceled check endorsements						X				
Rec	16. Reconciles bank accounts						X				SA
Rec	17. Reviews bank reconciliation					X					AM
Rec	18. Reviews general ledger and cash clearing information/documentation periodically for reasonableness completeness and appropriateness		X			X					AM

Capital Expenditures:												
Type	Function	A	B	C	D	E	F	G	H	I		Comments
A	1. Initiate a capital expenditure		X									
A	2. Approves a capital expenditure	X										
A	3. Initiate a capital asset disposal											n/a
R	4. Record capital asset transactions in the general ledger or other tracking system		X								APS	
R	5. Obtains competitive quotes or bids	X	X									
Rec	6. Review depreciation calculations		X			X					AM	
Rec	7. Review proper coding of purchases as capital, or other		X								AM	
Purchasing & Receiving Functions:												
Type	Function	A	B	C	D	E	F	G	H	I		Comments
C	1. Access to blank Purchase Order (PO) stock											n/a
C	2. Controls Requisition numbers											n/a
C	3. Controls Purchase Order numbers					X						
R	4. Maintains PO log or equivalent											System
R	5. Creates requisitions					X						
A	6. Approves purchase requisition		X			X						
R	7. Determines general ledger account number					X	X				APS	
A	8. Compares potential expenditure to budget		X								AM, DCF	
R	9. Issues purchase order						X					
A	10. Approves purchase orders (other than services)		X			X						
A	11. Approves purchase of services		X			X						
C	12. Orders/buys the requested goods/services									X		
C	13. Receives item									X		
C	14. Issues/signs receiving documents									X		
R	15. Matches invoices to supporting documents					X					APS	
R	16. Reviews invoices for accuracy					X			X		APS	
A	17. Approves invoices for payment		X			X						
Rec	18. Reconciles/Monitors unmatched P.O.'s to PO listing					X					APS	
Rec	19. Reviews general ledger and purchasing documents/information periodically for reasonableness, completeness and appropriateness		X			X					AM	

Payroll Functions:												
Type	Function	A	B	C	D	E	F	G	H	I		Comments
A	1. Hires new employee				X							
R	2. Maintains personnel files				X							
R	3. Creates employee in the computer system					X						
A	4. Authorizes salary and salary changes		X		X							
R	5. Changes rate of pay in the computer system						X					
R	6. Terminates employees pay						X					
A	7. Approves time sheet cards, etc.									X		
R	8. Inputs time to be paid into computer											System
A	9. Approves payroll input									X		
Rec	10. Compares time entry to output reports						X					PSPEC
R	11. Prepares payroll journal/checks						X					PSPEC
A	12. Signs payroll checks	X	X	X								
C	13. Distributes checks						X					
C	14. Maintains custody of unclaimed wages											n/a
A	15. Determines benefits for employee				X							
R	16. Adds employee to benefit vendor record/invoice				X							
R	17. Terminates benefits for employee				X							
Rec	18. Reconciles bank balances to the general ledger account (if different for payroll accounts)											SA n/a
Rec	19. Reconciles employee payroll records to the control account/master payroll list				X	X						PS
Rec	20. Reviews general ledger and payroll and benefits information/documentation periodically for reasonableness, completeness and appropriateness		X			X						AM

Journal Entry Functions:												
Type	Function	A	B	C	D	E	F	G	H	I		Comments
R	1. Initiates journal entries		X									SA
R	2. Prepares journal entries											SA
A	3. Approves journal entries	X	X									AM
R	4. Inputs journal entries											SA
R	5. Files journal entry back-up											n/a
Rec	6. Review appropriateness of journal entries		X			X						AM
Rec	7. Reviews general ledger and journal entry information/documentation periodically for reasonableness, completeness and appropriateness.		X			X						DCF

Financial Close and Reporting:													
Type	Function	A	B	C	D	E	F	G	H	I		Comments	
C	1. Modify chart of accounts					X						DCF	
R	2. Update or change budget data		X									DCF	
R	3. Close general ledger for month end		X									AM	
R	4. Close general ledger for year end		X									AM	
C	5. Prepare budget		X									DCF	
A	6. Approve budget	X							X				
R	7. Adjust a closed period		X									AM, DCF	
R	8. Preparing financial statements, including disclosures		X			X						DCF	
A	9. Reviewing financial statements, including disclosures	X	X						X				
Leases:													
Type	Function	A	B	C	D	E	F	G	H	I		Comments	
R	1. Initiate a lease payment					X						X	
A	2. Approve a lease payment	X	X										
R	3. Initiate a lease agreement	X	X										
A	4. Approve a lease agreement	X							X				
A	5. Modifying a lease agreement	X							X				
R	6. Record lease-related transactions in the general ledger or other tracking system					X						X	
R	7. Initiate lease renewals, terminations, modifications, etc.	X	X										
REC	8. Review of lease agreements for appropriate accounting and disclosure considerations, as well as election of practical expedients	X	X						X			X	
R	9. Review of contracts that may contain a lease	X	X										
R	10. Review of lease renewals, terminations, modifications, etc.	X	X										
R	11. Review of lease payments	X	X			X						X	
REC	12. Review and validation of completeness and accuracy of leasing information	X	X			X						X	
R	13. Review lease contracts for proper classification as operating or finance		X									X	
REC	14. Review of lease information and calculations, such as inputs, asset and liabilities and critical assumptions, e.g. discount rate, separation of lease and non lease components, etc.		X										
REC	15. Review proper recording of lease-related transactions		X			X						X	

Coversheet

Approval of Auditor for Fiscal Years 2025–2026

Section: II. Audit Committee
Item: B. Approval of Auditor for Fiscal Years 2025–2026
Purpose: Vote
Submitted by:
Related Material: Audit Firm Rotation Policy Summary (07.14.25).pdf
Audit Firm Rotation Policy (Recommended 07.14.25).pdf
AC Memo-Audit Firm Selection FY26.pdf

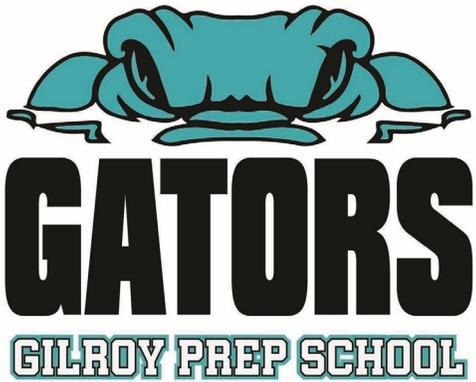


Navigator Schools Audit Firm Rotation Policy Summary

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

NAVIGATOR SCHOOLS

AUDIT FIRM ROTATION POLICY

Board Policy #

Recommended by: Audit Committee

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



Date: March 5, 2026

To: Board of Directors

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

Subject: Audit firm selection for Fiscal Year 2025-26

Recommendation

It is recommended that the Board of Directors, as part of the consent agenda, approve Green Hasson Janks as the firm to perform the audit and tax services for the fiscal year ending June 30, 2026.

Background

The Audit Committee reviewed and discussed the engagement letter from Green Hasson Janks regarding Navigator Schools' audit and tax services for the fiscal year ending June 30, 2026. The committee recommends that the Board approve Green Hasson Janks as the firm to provide these services for the 2025-26 fiscal year.

In accordance with Education Code (EC) Section 41020, the governing board of each school district provides an audit of the books and accounts of the school district. In the event the governing board of a school district has not provided for an audit by April 1, the County Office of Education, having jurisdiction over the district, shall provide for the audit.

Summary

The Audit Committee recommends approving Green Hasson Janks as the audit firm to conduct the audit for fiscal year 2025-26.

Coversheet

Auditors' Proposed Scope of Work for Fiscal Years 2025–2026

Section: II. Audit Committee
Item: C. Auditors' Proposed Scope of Work for Fiscal Years 2025–2026
Purpose: Vote
Submitted by:
Related Material: Navigator Schools – FY2025-26 Audit Engagement Letter – GHJ.pdf



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**AUDIT
AND
ASSURANCE**

March 2, 2026

To the Audit Committee
c/o Noël Russell Unterburger
Chief Financial Officer
Navigator Schools
650 San Benito Street., Suite 230
Hollister, California 95023

Ladies and Gentlemen:

You have requested that we audit the basic consolidated financial statements of Navigator Schools (the Organization), which comprise the consolidated statement of financial position as of June 30, 2026, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In addition, we will audit the Organization's compliance over major federal award programs for the period ended June 30, 2026. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on the consolidated financial statements and an opinion on compliance regarding the Organization's major federal award programs.

The objectives of our audit of the consolidated financial statements 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 auditor's 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 auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and 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.

The objectives of our compliance audit are to obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement about whether the Organization complied in all material respects with the applicable compliance requirements and identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to GAAS and *Government Auditing Standards*, if any, and perform procedures to address those requirements.

Schedule of Expenditures of Federal Awards (SEFA) and Supplementary Information

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the consolidated financial statements as a whole.

Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the consolidated financial statements. Such information, which is the responsibility of management, will be 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. Our auditor's report will provide an opinion on the supplementary information in relation to the consolidated financial statements as a whole.

- Charter School Organization Structure
- Schedule of Average Daily Attendance
- Schedule of Instructional Time
- Reconciliation of Annual Financial and Budget Report with Audited Consolidated financial statements
- Schedule of Expenditure of Federal Awards
- Consolidating Statement of Financial Position
- Consolidating Statement of Activities
- Consolidating Statement of Cash Flows

Audit of the Consolidated Financial Statements

We will conduct our audit in accordance with GAAS, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel.

As part of an audit of consolidated financial statements in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.



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- Obtain an understanding of internal control relevant to the audit, Government Auditing Standards of the Comptroller General of the United States of America and the 2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the consolidated financial statements that we have identified during the audit.
- 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, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS, Government Auditing Standards of the Comptroller General of the United States of America and the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Please note that the determination of abuse is subjective and Government Auditing Standards does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Organization's basic consolidated financial statements. Our report will be addressed to the board of directors of the Organization. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic consolidated financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.



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We also will issue a written report on compliance with the requirements applicable per the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel upon completion of our audit.

Significant Risks Identified

Professional standards require that we communicate with those charged with governance certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit, including significant risks we have identified. Although we are currently in the planning stage of our audit, we anticipate that certain significant risks will be identified during our audit. The following are presumed significant risks under auditing standards generally accepted in the United States of America: (1) risk of improper revenue recognition through misallocation of costs to cost-reimbursement contracts, and (2) risk of management override of controls. The above represent risks we consider in the planning of our audit and are not indicative of errors by management. We will design our audit procedures to address these significant risks. If additional significant risks are identified during our audit planning and risk assessment, we will communicate those to you at that time.

Audit of Major Program Compliance

Our audit of the Organization's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the provisions the Uniform Guidance; and will include tests of accounting records, a determination of major programs in accordance the Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on the 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 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 the Organization's compliance with the requirements of the federal programs as a whole. As part of a compliance audit in accordance with GAAS and in accordance with *Government Auditing Standards*, and/or any state or regulatory audit requirements, we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.



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Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget (OMB) Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs and performing such other procedures as we consider necessary in the circumstances. The purpose of those procedures will be to express an opinion on the Organization's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the Organization's major federal award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, 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 have identified during the audit.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the Organization's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that *management and, when appropriate, those charged with governance* acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of the system 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;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received;
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;



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5. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance requirements;
6. For designing, implementing, and maintaining effective internal control over federal awards that provides reasonable assurance that the Organization is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
7. For identifying and ensuring that the Organization complies with federal laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal award programs and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
8. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;
11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package and data collection form to the appropriate parties;
14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
15. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the consolidated financial statements including disclosures, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the Organization from whom we determine it necessary to obtain audit evidence.
16. For adjusting the consolidated financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole;
17. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
19. For informing us of any known or suspected fraud affecting the Organization involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;



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20. For the accuracy and completeness of all information provided;
21. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
22. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.
23. With regard to the supplementary information referred to above, you acknowledge and understand your responsibility:
 - a. For the preparation of the supplementary information in accordance with the applicable criteria;
 - b. To provide us with the appropriate written representations regarding supplementary information;
 - c. To include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and
 - d. To present the supplementary information with the audited consolidated financial statements, or if the supplementary information will not be presented with the audited consolidated financial statements, to make the audited consolidated financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

With regard to the schedule of expenditures of federal awards referred to above, you acknowledge and understand your responsibility (a) for the preparation of the schedule of expenditures of federal awards in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal awards, (c) to include our report on the schedule of expenditures of federal awards in any document that contains the supplementary information and that indicates that we have reported on such schedule, and (d) to present the schedule of expenditures of federal awards with the audited consolidated financial statements, or if the schedule of expenditures of federal awards will not be presented with the audited consolidated financial statements, to make the audited consolidated financial statements readily available to the intended users of the schedule no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit, including your understanding of your responsibilities as defined in this letter to us in your management representation letter.

You agree to inform us of facts that may affect the consolidated financial statements of which you may become aware during the period from the date of the auditor's report to the date the consolidated financial statements are issued.



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Nonattest Services

We will also provide the nonattest services outlined as follows:

- Assistance with the preparation of the consolidated financial statements, supplementary information, schedule of expenditures of federal awards, and related notes
- Completion of Part II of the Data Collection Form required to be submitted to the federal audit clearinghouse
- Preparation of informational tax returns
- Propose adjusting or correcting journal entries to be reviewed and approved by the Organization's management
- Assistance with lease calculation in accordance with Accounting Standard Codification (ASC) 842, *Leases*
- General business consulting/advisory services, as needed

The terms of the tax engagement are outlined in a separate engagement letter.

We will not assume management responsibilities on behalf of the Organization. However, we will provide advice and recommendations to assist management of the Organization in performing its responsibilities.

The Organization's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining the system of internal control, including the process used to monitor the system of internal control.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards.
- The nonattest services are limited to those previously outlined above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise the Organization with regard to tax positions taken in the preparation of the tax return, but the Organization must make all decisions with regard to those matters.



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Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts, and conclusions. It is management's responsibility to submit a reporting package including consolidated financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings, and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the earlier of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Engagement Administration, Fees and Other

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the consolidated financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

To ensure that our firm's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform us before entering into any substantive employment discussions with any of our personnel. You are responsible for developing and evaluating internal controls, including, without limitation, internal controls over financial reporting and disclosure controls or procedures. Our services are not intended to assist you in developing or evaluating your internal controls and should not be relied on for this purpose. Our services cannot be relied on to detect errors, fraud, irregularities or illegal acts that may exist.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.



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Regarding the electronic dissemination of audited consolidated financial statements, including consolidated financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

If, for any reason, we are unable to complete the audit of your consolidated financial statements, we will not issue a report on such statements as a result of this engagement.

Melanie Horowitz is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Green Hasson & Janks LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility and the skills required. Our current standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your work. Based on preliminary estimates, the fee should approximate \$143,000 for the audit, which includes one major program for the Uniform Guidance audit. As required pursuant to the Education Code Section 14505, you will withhold 10% of the engagement fees until the audit report has been certified by the State Controller's office. In addition to these fees, we will also bill an administrative service fee on all professional fees. Travel expenses and Netlease software access passthrough costs will be billed separately and are not included in the administrative service fee. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be resumed until your account is paid in full.

The fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete and untimely receipt by us of the information on the prepared by client list such as:

1. Anticipated cooperation from Organization personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of prepared by client requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement
6. Material changes in current or prior period financial reporting



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7. Multiple adjustments to the consolidated financial statements
8. Accounting assistance outside the scope of the audit (e.g., researching accounting topics, assistance with the other accounting matters, etc.)
9. Any changes in reporting format and/or audit requirements as stated in the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel
10. Additional major programs required to be tested

These fees shall be in addition to the above quoted fee for audit services. All billings for additional audit fees or services will be billed as these services are provided. We will provide the Organization with an electronic PDF version and as many printed copies of the final audit report as required. Copies in excess of 5 will cost \$5.00 per copy.

Audit procedures will be performed remotely by our engagement team, and, as a result, we will request audit evidence, including various supporting schedules and other documentation, in electronic format via a secure file sharing portal. Furthermore, audit status and other meetings will be scheduled using virtual video call platforms, such as Teams or Zoom. If we are unable to get access to certain information because it only exists in paper format or is otherwise unavailable to us, the audit completion may be delayed until we receive all such requested information.

We will attempt to meet your external and internal reporting deadlines as agreed by us at the planning stage of the audit. If the issuance of the audit report is delayed due to circumstances beyond our control, such as unavailability of certain requested audit evidence, and an external reporting deadline (for example, debt covenant, etc.) is not met as a result, you agree to hold GHJ harmless for any consequences of such delays.

We will require a \$10,000 retainer prior to commencing any work for you. This retainer will be applied to the final invoice. Any balance not used will be refunded if our relationship is terminated. We will bill you monthly for all work done during the month and request that remittance of the charges thereon be paid upon receipt of such bill.

The audit documentation for this engagement is the property of Green Hasson & Janks LLP (GHJ) and constitutes confidential information. However, we may be requested to make certain audit documentation available to state and federal agencies pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of GHJ's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

The Organization agrees to pay GHJ any expense, including compensation for time and reimbursement of costs and fees, incurred in complying with or responding to any request (by subpoena or otherwise) for testimony, documents, or other information concerning the Organization by any governmental agency or investigative body or by a party in any litigation or dispute other than litigation or disputes by the Organization against the GHJ. This paragraph will survive termination of this engagement.



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Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Organization agrees it will compensate GHJ for any additional costs incurred as a result of the Organization's employment of a partner or professional employee of GHJ.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the Organization's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

GHJ is a limited liability partnership (LLP) registered with the California Secretary of State and the California Board of Accountancy. GHJ is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the nature of the services we provide, non-CPA owners may be involved in providing services to you now or in the future.

LIMITATION OF LIABILITY

THIS ENGAGEMENT IS BEING UNDERTAKEN SOLELY FOR THE ORGANIZATION'S BENEFIT, AND THE PARTIES DO NOT INTEND TO PROVIDE CONTRACTUAL RIGHTS TO ANY OTHER PERSON. THE ORGANIZATION AND GHJ AGREE THAT NO CLAIM ARISING OUT OF SERVICES RENDERED PURSUANT TO THIS AGREEMENT SHALL BE FILED MORE THAN TWO YEARS AFTER THE DATE OF THE AUDIT REPORT ISSUED BY GHJ OR THE DATE OF THIS ENGAGEMENT LETTER IF NO REPORT HAS BEEN ISSUED. THE ORGANIZATION WAIVES ANY CLAIM FOR PUNITIVE DAMAGES. GHJ'S LIABILITY FOR ALL SUCH CLAIMS, DAMAGES AND COSTS OF THE ORGANIZATION ARISING FROM THIS ENGAGEMENT IS LIMITED TO THE AMOUNT OF FEES PAID BY THE ORGANIZATION TO GHJ FOR THE SERVICES RENDERED UNDER THIS ENGAGEMENT LETTER.



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You agree to release, indemnify and hold harmless GHJ and its partners and employees from any claims, liabilities, losses, costs and expenses relating to our services under this agreement attributable to knowing misrepresentation and/or fraud by management, except to the extent determined to have resulted from gross negligence and/or intentional or deliberate misconduct of the GHJ's personnel. This provision shall survive the termination of this engagement for services.

In the performance of our professional services, we may communicate with each other and/or with others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used by an unintended third party, we cannot guarantee that such email communication will be properly delivered and read only by the addressee. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over unauthorized interception of these communications once they have been sent. Therefore, you hereby waive any liability whatsoever for any unintended interception or unintentional disclosure of email transmissions in connection with the performance of our professional services. Our firm uses cloud computing services, including the storage of data and files, at third party, offsite, secure facilities. In that regard, you agree that we shall have no liability for any loss or damage to any person or organization resulting from the use of email transmissions and cloud based computing, including any direct or indirect damages that may result from any inadvertent or unanticipated disclosure of confidential or proprietary information, or disclosure through third party criminal conduct (e.g., hackers).

GHJ is an independent member of HLB International, a world-wide organization of accounting firms and business advisors (HLB). Each member firm of HLB, including GHJ, is a separate and independent legal entity and is not owned or controlled by any other member of HLB. Each member firm of HLB is solely responsible for its own acts and omissions and no other member assumes any liability for such acts or omissions. Neither GHJ, nor any of its affiliates, are responsible or liable for any acts or omissions of HLB or any other member firm of HLB and hereby specifically disclaim any and all responsibility, even if GHJ, or any of its affiliates, is aware of such acts or omissions of another member of HLB.

Our firm may transmit confidential information that you provided us to third-party service providers, such as independent contractors, specialists, or vendors, in order to facilitate delivering our services to you. We may also use HLB member firms, other affiliates, or other accounting firms. Such entities may be located within or outside the United States. We have obtained confidentiality agreements with all our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to service providers outside the firm, including but not limited to affiliates and firms located within or outside the United States.



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If any dispute arises between you and our firm, you and we agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

You and our firm both agree that any dispute over fees charged by our firm to you will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by us, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution in writing.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign this letter and return it to us. A copy is enclosed for your files.

Very truly yours,

GREEN HASSON & JANKS LLP

Melanie Horowitz, CPA
Principal

ACKNOWLEDGEMENT:

This letter correctly sets forth the understanding of **Navigator Schools**.

Signature: _____

Title: _____

Date: _____

Coversheet

Audit Committee Charter

Section: II. Audit Committee
Item: D. 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")¹

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].

¹ *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