

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

OPERATING:

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

Draft - For Discussion Only

**NAVIGATOR SCHOOLS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Navigator Schools
Gilroy, California

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navigator as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Navigator's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Navigator's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated REPORT DATE on our consideration of Navigator’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on Navigator’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Navigator’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

NAVIGATOR SCHOOLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

NAVIGATOR SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Navigator Schools (Navigator Schools) is a California nonprofit public benefit corporation and is organized to manage and operate public charter schools. The mission of Navigator is to develop students who are proficient or advanced on the California state standards test and to prepare them to excel in college and the workplace.

Navigator Schools is funded principally through state of California public education monies received through the California Department of Education. The charters may be revoked by the sponsors for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

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

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

Contributions of Assets of Hayward Collegiate

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

Principles of Consolidation

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

Basis of Accounting

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

Basis of Presentation

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

NAVIGATOR SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing Navigator's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include Benefits, Payroll Taxes, and Pension which are allocated based on time and effort.

Cash and Cash Equivalents

Navigator defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost if purchased or at estimated fair value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 5 years to 10 years. Navigator capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000.

Net Asset Classes

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. Santa Clara and San Benito Counties bill and collect property taxes for all taxing agencies within the Counties and distributes these collections to the various agencies. The sponsor agencies of Navigator Schools are required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Conditional Grants

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

Other Revenue

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

NAVIGATOR SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Navigator Schools and the Support Corporate are nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. Navigator Schools and the Support Corporate are subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. Navigator Schools and the Support Corporate files an exempt return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

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

Leases

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

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

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

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

NAVIGATOR SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

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

Adoption of New Accounting Standards

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

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

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

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

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

NAVIGATOR SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

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

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

Evaluation of Subsequent Events

Navigator has evaluated subsequent events through REPORT DATE, the date these consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date. Financial assets available for general expenditures comprise of the following:

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

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

NOTE 3 CONCENTRATION OF CREDIT RISK

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

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

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

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

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

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

NOTE 5 NOTES PAYABLE AND DEBT

CDE Loans:

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

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

PCSD Loan:

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

Civic Loan:

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

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

NOTE 5 NOTES PAYABLE AND DEBT (CONTINUED)

Low Income Investment Fund Loan:

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

Future maturities under notes payable are as follows:

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

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to Expenditures for Specified Purpose:

Watsonville Instruction Partners Engagement \$ 39,000

NOTE 7 OPERATING LEASES – ASC 842

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

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

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

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

NOTE 7 OPERATING LEASES – ASC 842 (CONTINUED)

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

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

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

NOTE 8 INTERCOMPANY LEASES

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

NOTE 9 FACILITIES USE AGREEMENTS

Navigator has various facilities use agreements. Navigator (Gilroy Prep) signed a facility use agreement with the Gilroy Unified School District. The agreement carries a term that coincides with Navigator's charter. The agreement does not require Navigator to pay a lease amount for the use of the property, but instead Navigator pays a supervisorial oversight fees at 3% of Navigator's general purpose entitlement and categorical block grants. The supervisorial oversight fees recorded for the year ended June 30, 2023 were \$160,400.

Navigator (Hollister Prep) signed a facility agreement with Hollister Unified School District starting July 1, 2013 which requires Navigator to pay 3% of Hollister Prep School's general purpose entitlement and categorical block grants for the property. The supervisorial oversight fees recorded for the year ended June 30, 2023 were \$145,704.

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

NOTE 10 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

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

The risks of participating in this multiemployer defined benefit pension plan is different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if Navigator chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. Navigator has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

Navigator Schools contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. Navigator Schools did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826, and www.calstrs.com.

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

NOTE 8 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. Navigator Schools is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2021	\$ 878,941	100%
2022	\$ 1,056,992	100%
2023	\$ 1,361,986	100%

NOTE 11 CHARTER MANAGEMENT ORGANIZATION

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

NOTE 12 CONTINGENCIES, RISKS, AND UNCERTAINTIES

Navigator has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes that any required reimbursement would not be material.

SUPPLEMENTARY INFORMATION

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

Navigator Schools operates Gilroy Prep School, Hollister Prep School and Watsonville Prep School. Navigator is a California nonprofit public benefit corporation and is organized to manage and operate public charter schools.

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

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

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

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

BOARD OF DIRECTORS

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

ADMINISTRATORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by Navigator and whether Navigator complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of Navigator Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED CONSOLIDATED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited consolidated financial statements.

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Navigator Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Navigator Schools, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Navigator Schools.

NOTE 5 INDIRECT COST RATE

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Navigator Schools
Gilroy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Navigator Schools (Navigator), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Navigator's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Navigator's internal control. Accordingly, we do not express an opinion on the effectiveness of Navigator's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Navigator’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Navigator’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Navigator’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

Draft - For Discussion Only

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

Board of Directors
Navigator Schools
Gilroy, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Navigator complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Navigator's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Navigator's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Navigator's internal control over compliance. Accordingly, no such opinion is expressed.

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

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 items 2023-001. 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's response to the noncompliance 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.

Report on Internal Control Over Compliance

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

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

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

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

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

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

Board of Directors
Navigator Schools
Gilroy, California

Report on Compliance

Opinion on State Compliance

We have audited Navigator Schools' (Navigator) compliance with the types of compliance requirements applicable to Navigator described in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2023. Navigator's applicable state compliance requirements are identified in the table below.

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

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

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

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

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

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine Navigator’s compliance with the laws and regulations applicable to the following items:

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

Not Applicable¹: Navigator did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable²: Navigator did not operate an after or before school program component of this grant.

Not Applicable³: Navigator did not report ADA pursuant to Education Code section 51749.5.

Not Applicable⁴: Navigator did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁵: Navigator did not receive a CTEIG allocation for the audit year.

Yes⁶: Transitional kindergarten applicable to only Navigator (Watsonville) and (Hayward Collegiate). Navigator (Gilroy) and (Hollister) did not report ADA for the audit year for transitional kindergarten.

Not Applicable⁷: Navigator did not report ADA to the CDE as generated through nonclassroom-based instruction (independent study).

Not Applicable⁸: Navigator did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Yes⁹: Charter School Facility Grant Program applicable to only Navigator (Watsonville) and (Hayward Collegiate). Navigator (Gilroy) and (Hollister) did not receive Charter School Facility Grant Program funding for the year audited.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

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

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

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

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

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

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

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Consolidated Financial Statement Findings

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

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

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

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

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

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

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

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

Section II – Consolidated Financial Statement Findings (Continued)

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

Repeat finding: Not a repeat finding.

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

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

Section III – Findings and Questioned Costs – Major Federal Programs

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

Section IV – State Compliance Finding

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

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

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

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