

Board of Directors  
Navigator Schools  
Gilroy, California

We have audited the financial statements of Navigator Schools as of and for the year ended June 30, 2023, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Appeals Panel, as well as certain information related to the planned scope and timing of our audit in our planning communication dated June 26, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Navigator Schools are described in Note 1 to the financial statements.

Navigator changed accounting policies related to the change in accounting principle by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02, Leases (ASC 842), for the year ended June 30, 2023.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

##### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Significant unusual transactions***

We identified no significant unusual transactions.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated REPORT DATE.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Significant findings or issues that were discussed, or the subject of correspondence, with management***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. The following summarizes the significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management:

- 2023-001: Material weakness in internal controls of the Navigator Schools closing process for June 30, 2023. 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 audit adjustments were posted after the trial balance was received due to the following:
  - Recording of revenue, accounts receivables, and deferred revenues under GAAP, was not done consistently under GAAP.
  - Cash related to the LLC and interest expense was not reconciled which overstated cash, and understated interest expense.
  - Beginning net assets did not reconcile to the prior year's audit report.

**Supplementary information in relation to the financial statements as a whole**

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

With respect to the Schedule of Instructional Time, Schedule of Average Daily Attendance (ADA), and Reconciliation of Annual Financial Report with Audited Financial Statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

The Local Education Agency Organization Structure accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

\* \* \*

***Upcoming auditing standards***

Our promise is to get to know you and help you. For your consideration, we provided recent auditing standards applicable to your entity.

**Accounting Estimates and Risk Assessment –**

- Effective for audits of financial statements for periods ending on or after December 15, 2023. For your entity – June 30, 2024's financial statements.
- Enhanced financial reporting framework surrounding management estimates, including a method, assumptions, and further audit process on the data (Statement on Auditing Standards (SAS) No. 143).
- Enhances the requirements and guidance on identifying and assessing the risks of material misstatement, particularly the areas of understanding the entity's system of internal control and assessing control risk (SAS 145).
- Additional consideration on the entity and its control environment, requiring separate assessment of inherent risk and control risk.
- Expanded testing and disclosures for the use of specialists and pricing information from external information sources.

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

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

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**Corrected misstatements**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1001</b>			
PBC entry to reconcile intercompany for eliminations on Statement of Financial Position.			
2027-4720	Other Food	226.00	
2027-9621	Due to/from CMO		226.00
<b>Total</b>		<b>226.00</b>	<b>226.00</b>
<b>Adjusting Journal Entries JE # 1002</b>			
PBC entry to reconcile beginning net assets to PY issued FS.			
0NAV-9700	Fund Balance	1,373.00	
1507-9700	Fund Balance	999.00	
2032-5899	Miscell Op Exp	1,089.00	
0NAV-5899	Miscellaneous Operating Expense		1,373.00
1507-5899	Miscellaneous Operating Expense		999.00
2032-9700	Fund Balance		1,089.00
<b>Total</b>		<b>3,461.00</b>	<b>3,461.00</b>
<b>Adjusting Journal Entries JE # 1003</b>			
PBC AJE to reconcile beginning net assets to issued FS of CLA.			
2027-9700	Fund Balance	1,741,290.00	
2027-CONTRIBUTION	Beginning Contribution for Hayward		1,741,290.00
<b>Total</b>		<b>1,741,290.00</b>	<b>1,741,290.00</b>
<b>Adjusting Journal Entries JE # 1004</b>			
Audit identified entry to reconcile beginning net assets to issued FS. GL was short to the TB for AP found during GL completeness testing.			
LLC1-9500	Accounts Payable	87,612.00	
LLC1-9700	Fund Balance		87,612.00
<b>Total</b>		<b>87,612.00</b>	<b>87,612.00</b>
<b>Adjusting Journal Entries JE # 1007</b>			
PBC entry to reclass non federal account out of federal revenues.			
2032-8100	Federal Revenue	350.00	
2032-8660	Interest Income		350.00
<b>Total</b>		<b>350.00</b>	<b>350.00</b>

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1011</b>			
PBC entry to tie out to expense elimination amounts			
0NAV-9200	Accounts Receivable	19.00	
0NAV-8701	CMO Allocation Revenue		19.00
<b>Total</b>		<b>19.00</b>	<b>19.00</b>
<b>Adjusting Journal Entries JE # 1013</b>			
PBC entry to record post remaining reduction needed for Learning Recovery Grant for Hollister for their refundable 14.4%.			
1507-8300	State Revenues	51,250.00	
1507-CLA	Due to Grantor		51,250.00
<b>Total</b>		<b>51,250.00</b>	<b>51,250.00</b>
<b>Adjusting Journal Entries JE # 1014</b>			
Audit identified entry to unrecognize revenue not earned due to conditions not met.			
0NAV-8800	Donations/Fundraising	250,000.00	
0NAV-9200	Accounts Receivable		250,000.00
<b>Total</b>		<b>250,000.00</b>	<b>250,000.00</b>
<b>Adjusting Journal Entries JE # 1015</b>			
Audit identified entry to clear out deferred revenue in order to book the correct amounts.			
1278-9620	Deferred Revenue	338,903.00	
1507-9620	Deferred Revenue	129,242.00	
2027-9620	Deferred Revenue	119,135.00	
2032-9620	Deferred Revenue	117,923.00	
1278-9200	Accounts Receivable		338,903.00
1507-9200	Accounts Receivable		129,242.00
2027-9200	Accounts Receivable		119,135.00
2032-9200	Accounts Receivable		117,923.00
<b>Total</b>		<b>705,203.00</b>	<b>705,203.00</b>

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1016</b>			
Audit identified entry to clean up revenue, AR and Deferred revenue for 2023 based on CDE schedules and cash received for Gilroy			
1278-8300	State Revenues	165,446.00	
1278-9200	Accounts Receivable	75,987.00	
1278-9200	Accounts Receivable	20,301.00	
1278-9200	Accounts Receivable	48,178.00	
1278-9200	Accounts Receivable	83,205.00	
1278-9200	Accounts Receivable	47,646.00	
1278-8100	Federal Revenue		75,987.00
1278-8100	Federal Revenue		20,301.00
1278-8100	Federal Revenue		48,178.00
1278-8300	State Revenues		83,205.00
1278-8300	State Revenues		11,936.00
1278-9620	Deferred Revenue		35,710.00
1278-9620	Deferred Revenue		165,446.00
<b>Total</b>		<b>440,763.00</b>	<b>440,763.00</b>

<b>Adjusting Journal Entries JE # 1017</b>			
Audit identified entry to clean up revenue, AR and Deferred revenue for 2023 based on CDE schedules and cash received for Hollister			
1507-8100	Federal Revenue	134,968.00	
1507-8300	State Revenues	14,067.00	
1507-8300	State Revenues	147,461.00	
1507-9200	Accounts Receivable	85,647.00	
1507-9200	Accounts Receivable	45,015.00	
1507-9200	Accounts Receivable	464,852.00	
1507-8100	Federal Revenue		85,647.00
1507-8100	Federal Revenue		35,458.00
1507-8300	State Revenues		87,243.00
1507-9200	Accounts Receivable		47,725.00
1507-9200	Accounts Receivable		14,067.00
1507-9620	Deferred Revenue		87,243.00
1507-9620	Deferred Revenue		9,557.00
1507-9620	Deferred Revenue		377,609.00
1507-9620	Deferred Revenue		147,461.00
<b>Total</b>		<b>892,010.00</b>	<b>892,010.00</b>

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1018</b>			
Audit identified entry to clean up revenue, AR and Deferred revenue for 2023 based on CDE schedules and cash received for Watsonville			
2032-8100	Federal Revenue	78,196.00	
2032-8100	Federal Revenue	225.00	
2032-8300	State Revenues	120,279.00	
2032-9200	Accounts Receivable	12,659.00	
2032-9200	Accounts Receivable	26,442.00	
2032-9200	Accounts Receivable	471,947.00	
2032-8100	Federal Revenue		12,659.00
2032-9200	Accounts Receivable		55,173.00
2032-9620	Deferred Revenue		23,023.00
2032-9620	Deferred Revenue		26,667.00
2032-9620	Deferred Revenue		471,947.00
2032-9620	Deferred Revenue		120,279.00
<b>Total</b>		<b>709,748.00</b>	<b>709,748.00</b>

<b>Adjusting Journal Entries JE # 1019</b>			
Audit identified entry to clean up revenue, AR and Deferred revenue for 2023 based on CDE schedules and cash received for Hayward			
2027-8100	Federal Revenue	10,174.00	
2027-8300	State Revenues	100,465.00	
2027-9200	Accounts Receivable	34,648.00	
2027-9200	Accounts Receivable	39,093.00	
2027-9200	Accounts Receivable	17,269.00	
2027-9200	Accounts Receivable	34,787.00	
2027-8100	Federal Revenue		34,648.00
2027-8100	Federal Revenue		39,093.00
2027-8300	State Revenues		2,131.00
2027-9200	Accounts Receivable		8,689.00
2027-9620	Deferred Revenue		27,443.00
2027-9620	Deferred Revenue		91,776.00
2027-9620	Deferred Revenue		32,656.00
<b>Total</b>		<b>236,436.00</b>	<b>236,436.00</b>

<b>Adjusting Journal Entries JE # 1020</b>			
Audit identified entry to remove deferred rent recorded in FYE 2023, in order to show the show proper transition amount under ASC 842.			
LLC1-9667	Deferred Rent 407 Main	328,665.00	
LLC1-5611	Rent/Lease Facilities		328,665.00
<b>Total</b>		<b>328,665.00</b>	<b>328,665.00</b>



Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1022</b>			
Audit identified entry to reverse NNN duplicate amount and book rental income and to reconcile cash for the LLC that was not recorded in line with the expense from Watsonville.			
LLC1-8601	Rent Income	100,855.00	
LLC1-9122	Banking: US Bank 2242	54,315.00	
LLC1-8601	Rent Income		17,232.00
LLC1-8601	Rent Income		37,083.00
LLC1-9122	Banking: US Bank 2242		100,855.00
<b>Total</b>		<b>155,170.00</b>	<b>155,170.00</b>
<b>Adjusting Journal Entries JE # 1023</b>			
Audit identified entry to adjust interest expense to right locations according to the debt and to reconcile cash.			
ONAV-9128	Banking:SCC Bank Checking	5,833.00	
2032-9128	Banking:SCC Bank Checking	5,770.00	
LLC1-5843	Interest Expense	29,230.00	
ONAV-5843	Interest Expense		5,833.00
2032-5843	Interest Expense		5,770.00
LLC1-9128	Banking:SCC Bank Checking		29,230.00
<b>Total</b>		<b>40,833.00</b>	<b>40,833.00</b>
<b>Adjusting Journal Entries JE # 1024</b>			
Audit identified entry to book one month for 12 months of rental income and to reconcile cash.			
ONAV-5611	Rent/Lease Facilities	2,666.00	
ONAV-9128	Banking:SCC Bank Checking		2,666.00
<b>Total</b>		<b>2,666.00</b>	<b>2,666.00</b>
<b>Adjusting Journal Entries JE # 1025</b>			
Audit identified entry to adjust cash for cleared checks out of accounts payable.			
LLC1-9500	Accounts Payable	149,925.00	
LLC1-9122	Banking: US Bank 2242		149,925.00
<b>Total</b>		<b>149,925.00</b>	<b>149,925.00</b>

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1026</b>			
CLA non-attest service entry to book leases under ASC 842.			
ONAV-5611	Rent/Lease Facilities	479.00	
ONAV-ROUA	Right-Of-Use Asset	63,198.00	
ONAV-ROUA	Right-Of-Use Asset	17,994.00	
1278-ROUA	Right-Of-Use Asset	37,558.00	
1278-ROUA	Right-Of-Use Asset	14,684.00	
1507-ROUA	Right-Of-Use Asset	14,684.00	
1507-ROUA	Right-Of-Use Asset	37,558.00	
2027-5611	Rent/Lease Facilities	4,697.00	
2027-ROUA	Right-Of-Use Asset	348,004.00	
2032-5611	Rent/Lease Facilities	350,855.00	
2032-ROUA	Right-Of-Use Asset	35,988.00	
2032-ROUA-INT	Right-Of-Use Asset - INTERCO	10,686,237.00	
LLC1-5611	Rent/Lease Facilities	317,844.00	
LLC1-9667	Deferred Rent 407 Main	957,330.00	
LLC1-ROUA	Right-Of-Use Asset	9,728,907.00	
ONAV-ACCA	Accumulated Amortization		31,150.00
ONAV-ACCA	Accumulated Amortization		2,787.00
ONAV-LLLT	Lease Liability, Long-Term		11,755.00
ONAV-LLST	Lease Liability, Current		32,527.00
ONAV-LLST	Lease Liability, Current		3,452.00
1278-ACCA	Accumulated Amortization		571.00
1278-ACCA	Accumulated Amortization		6,940.00
1278-LLLT	Lease Liability, Long-Term		29,998.00
1278-LLLT	Lease Liability, Long-Term		604.00
1278-LLST	Lease Liability, Current		6,989.00
1278-LLST	Lease Liability, Current		7,140.00
1507-ACCA	Accumulated Amortization		6,940.00
1507-ACCA	Accumulated Amortization		571.00
1507-LLLT	Lease Liability, Long-Term		604.00
1507-LLLT	Lease Liability, Long-Term		29,998.00
1507-LLST	Lease Liability, Current		7,140.00
1507-LLST	Lease Liability, Current		6,989.00
2027-ACCA	Accumulated Amortization		164,439.00
2027-LLLT	Lease Liability, Long-Term		14,716.00
2027-LLST	Lease Liability, Current		173,546.00
2032-ACCA	Accumulated Amortization		5,574.00
2032-ACCA-INT	Accumulated Amortization - INTERCO		253,748.00
2032-LLLT	Lease Liability, Long-Term		23,511.00
2032-LLLT-INT	Lease Liability, Long-Term- INTERCO		10,783,344.00
2032-LLST	Lease Liability, Current		6,903.00
LLC1-ACCA	Accumulated Amortization		220,737.00
LLC1-LLLT	Lease Liability, Long-Term		10,783,344.00
<b>Total</b>		<b>22,616,017.00</b>	<b>22,616,017.00</b>

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1027</b>			
Audit identified entry to reverse interest expense and AR.			
LLC1-9200	Accounts Receivable	14,415.00	
LLC1-5843	Interest Expense		14,415.00
<b>Total</b>		<b>14,415.00</b>	<b>14,415.00</b>
<b>Adjusting Journal Entries JE # 1028</b>			
CLA non-attest service entry to record deferred rent assets for the LLC under ASC 842.			
LLC1-DRA	Deferred Rent Assets	350,855.00	
LLC1-8601	Rent Income		350,855.00
<b>Total</b>		<b>350,855.00</b>	<b>350,855.00</b>
	<b>Total All Journal Entries</b>	<b>28,776,914.00</b>	<b>28,776,914.00</b>

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