

**NAVIGATOR SCHOOLS**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**

**OPERATING:**

**Gilroy Prep - #1278**  
**Hollister Prep - #1507**  
**Watsonville Prep - #2032**  
**Hayward Collegiate - #2027 (Year Zero)**



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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, 2022, 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, 2022, 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.

#### **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; this includes 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 March 28, 2023 on our consideration of Navigator’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on Navigator’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Navigator’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Glendora, California  
March 28, 2023

**NAVIGATOR SCHOOLS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

<b>ASSETS</b>	Navigator Schools						Eliminations	Total
	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC		
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 5,978,251	\$ -	\$ -	\$ -	\$ -	\$ 331,866	\$ -	\$ 6,310,117
Accounts Receivable	1,275,416	2,730,312	2,384,333	1,194,376	-	(1,036,502)	(3,844,706)	2,703,229
Prepaid Expenses and Other Assets	66,930	225,204	189,950	231,362	2,938	-	-	716,384
Total Current Assets	7,320,597	2,955,516	2,574,283	1,425,738	2,938	(704,636)	(3,844,706)	9,729,730
<b>LONG-TERM ASSETS</b>								
Property, Plant, and Equipment, Net	-	166,935	134,956	15,611	-	8,532,532	-	8,850,034
Total Assets	\$ 7,320,597	\$ 3,122,451	\$ 2,709,239	\$ 1,441,349	\$ 2,938	\$ 7,827,896	\$ (3,844,706)	\$ 18,579,764
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable and Accrued Liabilities	\$ 4,454,764	\$ 304,799	\$ 221,620	\$ 292,121	\$ 7,380	\$ (77,157)	\$ (3,844,706)	\$ 1,358,821
Deferred Revenue	-	338,903	129,242	117,923	-	-	-	586,068
Notes Payable, Current Portion	31,251	-	-	31,251	-	-	-	62,502
Total Current Liabilities	4,486,015	643,702	350,862	441,295	7,380	(77,157)	(3,844,706)	2,007,391
<b>LONG-TERM LIABILITIES</b>								
Notes Payable	118,749	-	-	208,958	-	8,594,969	-	8,922,676
Deferred Rent	-	-	-	-	-	957,330	-	957,330
Total Long-Term Liabilities	118,749	-	-	208,958	-	9,552,299	-	9,880,006
Total Liabilities	4,604,764	643,702	350,862	650,253	7,380	9,475,142	(3,844,706)	11,887,397
<b>NET ASSETS</b>								
Without Donor Restrictions	2,715,833	2,478,749	2,358,377	752,096	(4,442)	(1,647,246)	-	6,653,367
With Donor Restrictions	-	-	-	39,000	-	-	-	39,000
Total Net Assets	2,715,833	2,478,749	2,358,377	791,096	(4,442)	(1,647,246)	-	6,692,367
Total Liabilities and Net Assets	\$ 7,320,597	\$ 3,122,451	\$ 2,709,239	\$ 1,441,349	\$ 2,938	\$ 7,827,896	\$ (3,844,706)	\$ 18,579,764

See accompanying Notes to Consolidated Financial Statements.

**NAVIGATOR SCHOOLS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	Navigator Schools							Eliminations	Total
	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC			
<b>WITHOUT DONOR RESTRICTIONS:</b>									
<b>REVENUES</b>									
State Revenue:									
State Apportionment	\$ -	\$ 2,754,381	\$ 3,549,566	\$ 3,315,594	\$ -	\$ -	\$ -	\$ -	\$ 9,619,541
Other State Revenue	-	1,334,665	1,083,303	1,009,097	-	-	-	-	3,427,065
Federal Revenue:									
Grants and Entitlements	-	700,100	471,855	651,811	-	-	-	-	1,823,766
Local Revenue:									
In-Lieu Property Tax Revenue	-	2,218,950	1,493,011	-	-	-	-	-	3,711,961
Contributions	450,000	6,713	7,601	500	-	-	-	-	464,814
Investment Income	17	-	-	-	-	-	-	-	17
Other Revenue	2,152,921	17,904	1,025	1,435	-	-	(2,072,138)	-	101,147
Total Revenues	2,602,938	7,032,713	6,606,361	4,978,437	-	-	(2,072,138)	-	19,148,311
<b>EXPENSES</b>									
Program Services	370,181	5,265,530	5,031,481	3,800,136	3,014	522,923	-	-	14,993,265
Management and General	2,317,603	1,344,741	1,229,052	1,124,622	1,428	555,594	(2,072,138)	-	4,500,902
Total Expenses	2,687,784	6,610,271	6,260,533	4,924,758	4,442	1,078,517	(2,072,138)	-	19,494,167
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(84,846)	422,442	345,828	53,679	(4,442)	(1,078,517)	-	-	(345,856)
<b>WITH DONOR RESTRICTIONS REVENUES:</b>									
Contributions	-	-	-	39,000	-	-	-	-	39,000
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	-	-	-	39,000	-	-	-	-	39,000
<b>CHANGE IN NET ASSETS</b>	(84,846)	422,442	345,828	92,679	(4,442)	(1,078,517)	-	-	(306,856)
Net Assets - Beginning of Year	2,800,679	2,056,307	2,012,549	698,417	-	(568,729)	-	-	6,999,223
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,715,833</u>	<u>\$ 2,478,749</u>	<u>\$ 2,358,377</u>	<u>\$ 791,096</u>	<u>\$ (4,442)</u>	<u>\$ (1,647,246)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,692,367</u>

See accompanying Notes to Consolidated Financial Statements.

**NAVIGATOR SCHOOLS  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

	Navigator Schools						Total
	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Change in Net Assets	\$ (84,846)	\$ 422,442	\$ 345,828	\$ 92,679	\$ (4,442)	\$ (1,078,517)	\$ (306,856)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:							
Depreciation	-	55,162	26,984	5,794	-	233,452	321,392
Transfer of Assets	-	-	-	579,013	-	(537,521)	41,492
(Increase) Decrease in Assets:							
Accounts Receivable	108,065	(80,210)	120,353	682,469	-	1,068,165	1,898,842
Prepaid Expenses and Other Assets	(63,877)	(55,540)	(52,913)	(25,167)	(2,938)	-	(200,435)
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Liabilities	1,872,308	(436,651)	(405,568)	(1,318,037)	7,380	(216,027)	(496,595)
Deferred Revenue	-	94,797	(34,684)	47,787	-	-	107,900
Deferred Rent	-	-	-	-	-	428,665	428,665
Net Cash Provided by Operating Activities	<u>1,831,650</u>	<u>-</u>	<u>-</u>	<u>64,538</u>	<u>-</u>	<u>(101,783)</u>	<u>1,794,405</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of Property, Plant, and Equipment	-	-	-	-	-	(4,997,729)	(4,997,729)
Net Cash Used by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,997,729)</u>	<u>(4,997,729)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Proceeds from Notes Payable	-	-	-	-	-	1,545,758	1,545,758
Repayments of Notes Payable	26,043	-	-	(64,538)	-	-	(38,495)
Net Cash Provided by Financing Activities	<u>26,043</u>	<u>-</u>	<u>-</u>	<u>(64,538)</u>	<u>-</u>	<u>1,545,758</u>	<u>1,507,263</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,857,693	-	-	-	-	(3,553,754)	(1,696,061)
Cash and Cash Equivalents - Beginning of Year	<u>4,120,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,885,620</u>	<u>8,006,178</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,978,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,866</u>	<u>\$ 6,310,117</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>							
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,186</u>	<u>\$ -</u>	<u>\$ 320,746</u>	<u>\$ 359,932</u>

See accompanying Notes to Consolidated Financial Statements.



**NAVIGATOR SCHOOLS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Eliminations	Total Expenses
Salaries and Wages	\$ 8,945,422	\$ 1,926,512	\$ -	\$ 10,871,934
Pension Expense	938,211	118,781	-	1,056,992
Other Employee Benefits	1,251,305	267,186	-	1,518,491
Payroll Taxes	341,934	77,116	-	419,050
Management Fees	-	241,146	-	241,146
Legal Expenses	-	57,941	-	57,941
Accounting Expenses	-	37,402	-	37,402
Instructional Materials	276,749	-	-	276,749
Other Fees for Services	463,936	2,323,999	(2,072,138)	715,797
Advertising and Promotion Expenses	-	8,834	-	8,834
Office Expenses	214,379	224,396	-	438,775
Information Technology Expenses	1,021,967	86,338	-	1,108,305
Occupancy Expenses	776,289	67,559	-	843,848
Travel Expenses	89,632	60,871	-	150,503
Interest Expense	-	359,932	-	359,932
Depreciation Expense	-	321,392	-	321,392
Insurance Expense	-	57,155	-	57,155
Other Expenses	673,441	336,480	-	1,009,921
Subtotal	<u>14,993,265</u>	<u>6,573,040</u>	<u>(2,072,138)</u>	<u>19,494,167</u>
Eliminations	<u>-</u>	<u>(2,072,138)</u>	<u>2,072,138</u>	<u>-</u>
 Total Functional Expenses	 <u><u>\$ 14,993,265</u></u>	 <u><u>\$ 4,500,902</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 19,494,167</u></u>

See accompanying Notes to Consolidated Financial Statements.

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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.

**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.

**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.

**NAVIGATOR SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

**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 salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

**Cash and Cash Equivalents**

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

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2022. 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, 2022**

**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, 2022, Navigator has conditional grants of \$2,967,048 of which \$586,068 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, 2022**

**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.

**Evaluation of Subsequent Events**

Navigator has evaluated subsequent events through March 28, 2023, 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	\$ 6,310,117
Accounts Receivable	2,703,229
Less: Net Assets With Donor Restrictions	<u>(39,000)</u>
Total	<u>\$ 8,974,346</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, 2022**

**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 \$321,392 for the year ended June 30, 2022.

The components of property, plant, and equipment as of June 30, 2022 are as follows:

	Gilroy Prep	Hollister Prep	Watsonville Prep	407 Main St. LLC	Total
Land Improvements	\$ 214,247	\$ 31,184	\$ -	\$ 8,684,403	\$ 8,929,834
Equipment, Furniture and Fixtures	358,558	247,136	28,972	10	634,676
Construction in Progress	-	-	-	81,571	81,571
Total	572,805	278,320	28,972	8,765,984	9,646,081
Less: Accumulated Depreciation	(405,870)	(143,364)	(13,361)	(233,452)	(796,047)
Total Property, Plant, and Equipment	<u>\$ 166,935</u>	<u>\$ 134,956</u>	<u>\$ 15,611</u>	<u>\$ 8,532,532</u>	<u>\$ 8,850,034</u>

**NOTE 5 NOTES PAYABLE AND DEBT**

CDE Loan:

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 2.044% and matures in April 2023. The first repayment is due in August 2020. The outstanding balance on the CDE loan as of June 30, 2022 was \$159,420.

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 1.000% 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, 2022 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 5.0995% interest is due in full on December 31, 2027. Note B for the amount of \$1,215,758 at 5.0995% interest is due in full on January 1, 2051. The outstanding balance on Civic loan as of June 30, 2022 is \$5,880,000.

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 outstanding balance on the LIIF Loan as of June 30, 2022 is \$1,545,758.

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

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>
2023	\$ 62,502	\$ -	\$ -	\$ -	\$ 62,502
2024	96,918	-	-	13,412	110,330
2025	-	-	-	26,578	26,578
2026	-	-	-	26,578	26,578
2027	-	-	-	26,578	26,578
Thereafter	-	1,400,000	5,880,000	1,452,612	8,732,612
Total	<u>\$ 159,420</u>	<u>\$ 1,400,000</u>	<u>\$ 5,880,000</u>	<u>\$ 1,545,758</u>	<u>\$ 8,985,178</u>

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purpose:

Subject to Expenditures for Specified Purpose:

Watsonville Instruction Partners Engagement \$ 39,000

**NOTE 7 COMMITMENTS AND OPERATING LEASES**

Navigator (Gilroy Prep) signed a facility use agreement with the Gilroy Unified School District. The agreement carries a term that coincides with Navigator's charter. The agreement does not require Navigator to pay a lease amount for the use of the property, but instead Navigator pays a supervisory oversight fees at 3% of Navigator's general purpose entitlement and categorical block grants. The supervisory oversight fees recorded for the year ended June 30, 2022 were \$145,296.

Navigator (Hollister Prep) signed a facility agreement with Hollister Unified School District starting July 1, 2013 which requires Navigator to pay 3% of Hollister Prep School's general purpose entitlement and categorical block grants for the property. The supervisory oversight fees recorded for the year ended June 30, 2022 were \$72,421.

In July 2020, the LLC entered into an operating lease with a third-party lessor. The lessor offered free rent for the first year, then escalating monthly payments of \$8,333 starting in July 2021 through June 2051. The LLC recorded the difference between the cash basis and straight-line deferred rent in the deferred rent liability.

Subsequent to June 30, 2022, in July 2022, Navigator entered into an operating lease with a third party for Hayward Collegiate school site. Minimum lease payments begin in August 2022, with escalating payments after the first 11 months through the lease term end of July 2024.

Navigator Schools also rent a facility from the LLC. The rental income and expense were eliminated in the consolidated financial statements and not included in the minimum lease payments.

**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 COMMITMENTS AND OPERATING LEASES (CONTINUED)**

The minimum lease payments, inclusive of the subsequent lease for Hayward Collegiate, related to third party lessors are as follows:

<u>Year Ended June 30,</u>	<u>At June 30, 2022</u>	<u>Subsequent to June 30, 2022</u>	<u>Total</u>
2023	\$ 231,992	\$ 157,927	\$ 389,919
2024	213,952	176,592	390,544
2025	320,000	14,716	334,716
2026	460,000	-	460,000
2027	469,200	-	469,200
Thereafter	14,559,417	-	14,559,417
Total	<u>\$ 16,254,561</u>	<u>\$ 349,235</u>	<u>\$ 16,603,796</u>

**NOTE 8 EMPLOYEE RETIREMENT**

**Multiemployer Defined Benefit Pension Plans**

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

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

**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, 2021 total STRS plan net assets are \$310 billion, the total actuarial present value of accumulated plan benefits is \$414 billion, contributions from all employers totaled \$5.744 billion, and the plan is 73% funded. Navigator Schools did not contribute more than 5% of the total contributions to the plan.

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



**NAVIGATOR SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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, 2022 was 16.92% 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>
2020	\$ 886,472	100%
2021	\$ 878,941	100%
2022	\$ 1,056,992	100%

**NOTE 9 CHARTER MANAGEMENT ORGANIZATION**

Navigator charges CMO fees of \$2,072,138 to each charter for management services performed during the year. Navigator (Gilroy Prep) paid CMO fees of \$772,605 for the year ended June 30, 2022. Navigator (Hollister Prep) paid CMO fees of \$782,809 for the year ended June 30, 2022. Navigator (Watsonville Prep) paid CMO fees of \$516,724 for the year ended June 30, 2022. These fees were eliminated in the consolidated financial statements.

**NOTE 10 CONTINGENCIES, RISKS, AND UNCERTAINTIES**

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

**NAVIGATOR SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 SUBSEQUENT EVENT TRANSACTIONS**

In July 2022, Navigator entered into an operating lease with a third party for Hayward Collegiate school site. The lease has escalating payments after the first 11 months and the lease terms is through July 2024.

On May 10, 2022, Navigator's board voted to merge Hayward Collegiate, Inc., charter school number 2027 which is sponsored by Alameda County Office Education, into Navigator, which was approved by the California Secretary of State effective July 1, 2022. Expenses incurred prior to the merge are listed at Year Zero expenses for Navigator. In August 2023, Navigator began serving students at Hayward Collegiate for the school year 2022-2023.

**SUPPLEMENTARY INFORMATION**

**NAVIGATOR SCHOOLS  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 YEAR ENDED JUNE 30, 2022  
 (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, 2022 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
John Flaherty	Chair	March 2024
Nora Crivello	Secretary	June 2022
Victor Paredes-Colonia	Finance Committee Chair	April 2023
JP Anderson	Member	June 2022
Ian Connell	Member	June 2022
Chuck Daggs	Member	April 2023
Shara Hegde	Member	February 2023
Dena Koren	Member	October 2021 (resigned)
Fiaau Ohmann	Member	February 2022 (resigned)

**ADMINISTRATORS**

Kevin Sved	Chief Executive Officer
Ami Ortiz	Director of Business and Finance

**NAVIGATOR SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2022**

	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
Gilroy Prep:				
Kindergarten	36,000	55,250	180	In Compliance
Grade 1	50,400	61,250	180	In Compliance
Grade 2	50,400	61,250	180	In Compliance
Grade 3	50,400	61,250	180	In Compliance
Grade 4	54,000	57,500	180	In Compliance
Grade 5	54,000	57,500	180	In Compliance
Grade 6	54,000	57,500	180	In Compliance
Grade 7	54,000	57,500	180	In Compliance
Grade 8	54,000	57,500	180	In Compliance
Hollister Prep:				
Kindergarten	36,000	59,560	180	In Compliance
Grade 1	50,400	62,160	180	In Compliance
Grade 2	50,400	62,160	180	In Compliance
Grade 3	50,400	62,160	180	In Compliance
Grade 4	54,000	62,160	180	In Compliance
Grade 5	54,000	62,160	180	In Compliance
Grade 6	54,000	63,250	180	In Compliance
Grade 7	54,000	63,250	180	In Compliance
Grade 8	54,000	58,500	180	In Compliance
Watsonville Prep:				
Kindergarten	36,000	54,600	180	In Compliance
Grade 1	50,400	61,325	180	In Compliance
Grade 2	50,400	61,325	180	In Compliance
Grade 3	50,400	61,325	180	In Compliance
Grade 4	54,000	61,325	180	In Compliance

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

**NAVIGATOR SCHOOLS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2022**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Gilroy Prep:				
TK/K-3	223.10	223.74	221.30	222.18
Grades 4-6	170.00	170.55	167.47	169.11
Grades 7-8	114.09	114.43	111.72	113.08
ADA Totals	507.19	508.72	500.49	504.37
Hollister Prep:				
TK/K-3	218.60	224.61	218.75	224.66
Grades 4-6	167.74	170.34	167.51	169.97
Grades 7-8	106.35	110.78	105.73	110.91
ADA Totals	492.69	505.73	491.99	505.54
Watsonville Prep:				
TK/K-3	221.71	224.03	224.43	227.03
Grades 4-6	54.62	55.90	53.36	54.92
ADA Totals	276.33	279.93	277.79	281.95

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, 2022**

	<u>Gilroy Prep</u>	<u>Hollister Prep</u>	<u>Watsonville</u>
June 30, 2022 Annual Financial Report Fund Balances (Net Assets)	\$ 3,090,430	\$ 2,385,063	\$ 1,013,780
Adjustments and Reclassifications:			
Increase (Decrease) of Fund Balance (Net Assets):			
Cash and Cash Equivalents	(2,012,787)	(1,176,484)	33,326
Accounts Receivable	1,655,179	1,245,213	(1,959)
Prepaid Expenses and Other Assets	1,795	(68)	-
Property, Plant, and Equipment, Net	166,935	134,956	(562,302)
Accounts Payable and Accrued Liabilities	(83,900)	(101,061)	(176,152)
Notes Payable, Current Portion	-	-	239,753
Deferred Revenue	(338,903)	(129,242)	(117,923)
Notes Payable	-	-	362,573
Net Adjustments and Reclassifications	<u>(611,681)</u>	<u>(26,686)</u>	<u>(222,684)</u>
June 30, 2022 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 2,478,749</u>	<u>\$ 2,358,377</u>	<u>\$ 791,096</u>

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

**NAVIGATOR SCHOOLS  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	Gilroy Prep	Hollister Prep	Watsonville Prep	Total
<b>U.S. Department of Education</b>							
Pass-Through Program from California Department of Education:							
Every Child Succeeds Act, Part A							
Title I, Basic Grants:Low-Income and Neglected	84.010	14329		\$ 98,737	\$ 94,176	\$ 91,191	\$ 284,104
Title II, Improving Teacher Quality	84.367	14341		16,122	14,667	10,852	41,641
Title III, Limited English Proficiency	84.365	14346		18,890	23,269	21,177	63,336
Title IV, Student Support and Academic Enrichment	84.424	15391		10,000	10,000	10,000	30,000
Special Education Cluster - IDEA Basic Local Assistance	84.027	13379		74,946	76,589	39,483	191,018
Total Special Education Cluster				<u>74,946</u>	<u>76,589</u>	<u>39,483</u>	<u>191,018</u>
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):							
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	7	14,535	2,446	16,988
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	138,807	177,739	175,631	492,177
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	COVID-19	10,197	13,724	29,196	53,117
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	21,122	47,156	25,128	93,406
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	COVID-19	-	-	5,767	5,767
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	COVID-19	-	-	16,380	16,380
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	COVID-19	-	-	28,237	28,237
Total Coronavirus Aid, Relief, and Economic Security Act:				<u>170,133</u>	<u>253,154</u>	<u>282,785</u>	<u>706,072</u>
Total U.S. Department of Education				<u>388,828</u>	<u>471,855</u>	<u>455,488</u>	<u>1,316,171</u>
<b>U.S. Department of Agriculture</b>							
Pass-Through Program from California Department of Education:							
Child Nutrition Cluster: National School Lunch Program	10.555	N/A		311,272	-	196,323	507,595
Total Child Nutrition Cluster				<u>311,272</u>	<u>-</u>	<u>196,323</u>	<u>507,595</u>
Total U.S. Department of Agriculture				<u>311,272</u>	<u>-</u>	<u>196,323</u>	<u>507,595</u>
Total Federal Expenditures				<u>\$ 700,100</u>	<u>\$ 471,855</u>	<u>\$ 651,811</u>	<u>\$ 1,823,766</u>

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, 2022**

**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, 2022. 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, 2022, 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 March 28, 2023.

**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 opinions 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 the 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.

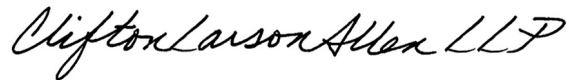
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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  
March 28, 2023



## **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, 2022. 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, 2022.

#### ***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.

### **Report on Internal Control Over Compliance**

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

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

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

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



**CliftonLarsonAllen LLP**

Glendora, California  
March 28, 2023



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Navigator Schools  
Gilroy, California

### Opinion on State Compliance

We have audited Navigator Schools' (Navigator) compliance with the types of compliance requirements described in the *2021-2022 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, 2022. Navigator's state compliance requirements are identified in the table below.

In our opinion, Navigator complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2022.

### 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 *2021-2022 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 *2021-2022 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 the compliance with the state laws and regulations as identified below.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to below occurred, whether due to fraud or error, and express an opinion on Navigator's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2021-2022 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 *2021-2022 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 below 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 *2021-2022 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
After/Before School Education and Safety Program	Not Applicable
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
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

**Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
March 28, 2023

**NAVIGATOR SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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

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**Consolidated Financial Statements**

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

**Federal Awards**

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

**Identification of Major Federal Programs**

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.425	COVID-19: Elementary and Secondary School Emergency Relief Fund (ESSER)

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, 2022**

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

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

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

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

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

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

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***State Compliance Finding***

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There were no findings or questioned costs related to state awards for June 30, 2022.

**NAVIGATOR SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2022**

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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