VAUGHN NEXT CENTURY LEARNING CENTER
CHARTER SCHOOL NUMBER: #0016

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2025



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VAUGHN NEXT CENTURY LEARNING CENTER
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vaughn Next Century Learning Center
San Fernando, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Vaughn Next Century Learning Center (Vaughn), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vaughn as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Vaughn'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vaughn'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 Vaughn's financial statements as a whole. The K-12, Preschool, and Elimination columns in the statements of financial position, activities, functional expenses, and cash flows as well as the supplementary information (as identified in the table of contents), 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2025 on our consideration of Vaughn'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 Vaughn'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 Vaughn's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Ontario, California
December 10, 2025

VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

	K-12	Pre-School	Eliminations	Total Vaughn
ASSETS				
CURRENT ASSETS				
Cash in County Treasury	$ 44,003,508	$ 766,953	$ -	$ 44,770,461
Cash in Banks	10,304,988	1,009,645	-	11,314,633
Accounts Receivable - Federal and State	6,115,344	115,955	-	6,231,299
Prepaid Expenses and Other Current Assets	458,341	12,466	-	470,807
Total Current Assets	60,882,181	1,905,019	-	62,787,200
LONG-TERM ASSETS				
Investments	81,958,507	-	-	81,958,507
Right-of-Use (ROU) Asset - Operating	277,253	-	-	277,253
Right-of-Use (ROU) Asset - Financing	48,240	-	-	48,240
Capital Assets, Net	116,194,895	142,346	-	116,337,241
Total Long-Term Assets	198,478,895	142,346	-	198,621,241
Total Assets	$ 259,361,076	$ 2,047,365	$ -	$ 261,408,441
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 5,140,800	$ 98,581	$ -	$ 5,239,381
Accrued Payroll	1,516,452	84,215	-	1,600,667
Operating Lease Liability, Current Portion	122,689	-	-	122,689
Financing Lease Liability, Current Portion	56,593	-	-	56,593
Deferred Revenue	13,833,196	1,547,599	-	15,380,795
Total Current Liabilities	20,669,730	1,730,395	-	22,400,125
LONG-TERM LIABILITIES				
OPEB Liability	667,146	-	-	667,146
Operating Lease Liability, Net of Current Portion	149,070	-	-	149,070
Financing Lease Liability, Net of Current Portion	-	-	-	-
Total Long-Term Liabilities	816,216	-	-	816,216
Total Liabilities	21,485,946	1,730,395	-	23,216,341
NET ASSETS				
Without Donor Restrictions:				
Invested in Capital Assets, Net of Debt	116,194,895	-	-	116,194,895
Undesignated	117,264,083	316,970	-	117,581,053
Total Net Assets Without Donor Restrictions	233,458,978	316,970	-	233,775,948
With Donor Restrictions	4,416,152	-	-	4,416,152
Total Net Assets	237,875,130	316,970	-	238,192,100
Total Liabilities and Net Assets	$ 259,361,076	$ 2,047,365	$ -	$ 261,408,441

See accompanying Notes to Financial Statements.

VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	K-12	Pre-School	Eliminations	Total Vaughn
NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUES				
State Revenue:				
State Aid	$ 27,705,348	$ -	$ -	$ 27,705,348
Other State Revenue	11,022,864	1,975,820	-	12,998,684
Federal Revenue:				
Grants and Entitlements	9,207,102	-	-	9,207,102
Local Revenue:				
In-Lieu Property Tax Revenue	10,510,461	-	-	10,510,461
Contributions	268,468	-	-	268,468
Investment Income	10,985,236	-	-	10,985,236
Augmentation Grant	3,789,160	-	-	3,789,160
Other Revenue	662,835	-	(613,983)	48,852
Total Revenues	74,151,474	1,975,820	(613,983)	75,513,311
EXPENSES				
Program Services	46,910,629	1,415,276	(613,983)	47,711,922
Management and General	10,297,904	313,462	-	10,611,366
Fundraising	254,678	-	-	254,678
Total Expenses	57,463,211	1,728,738	(613,983)	58,577,966
Change in Net Assets Without Donor Restrictions	16,688,263	247,082	-	16,935,345
NET ASSETS WITH DONOR RESTRICTIONS				
Federal Revenue:				
Grants and Entitlements	364,933	-	-	364,933
			-	
Change in Net Assets With Donor Restrictions	364,933	-	-	364,933
CHANGE IN TOTAL NET ASSETS	17,053,196	247,082	-	17,300,278
Net Assets - Beginning of Year	220,821,934	69,888	-	220,891,822
NET ASSETS - END OF YEAR	$ 237,875,130	$ 316,970	$ -	$ 238,192,100

See accompanying Notes to Financial Statements.

VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	K-12				Pre-School					
	Program Services	Management and General	Fundraising	Total K-12	Program Services	Management and General	Fundraising	Total Pre-School	Eliminations	Total Vaughn
Salaries and Wages	$ 23,897,050	$ 5,514,187	$ -	$ 29,411,237	$ 850,203	$ 157,974	$ -	$ 1,008,177	$ -	$ 30,419,414
Pension Expense	3,523,901	34,950	-	3,558,851	-	-	-	-	-	3,558,851
Other Employee Benefits	3,931,517	850,880	-	4,782,397	82,055	15,246	-	97,301	-	4,879,698
Payroll Taxes	709,211	418,466	-	1,127,677	62,569	11,877	-	74,446	-	1,202,123
Instructional Materials	2,055,437	176,293	-	2,231,730	176,293	-	-	176,293	-	2,408,023
Legal Expenses	-	36,459	-	36,459	-	-	-	-	-	36,459
Accounting Expenses	-	59,377	-	59,377	-	-	-	-	-	59,377
Advertising and Promotions	-	2,951	-	2,951	-	-	-	-	-	2,951
Other Fees for Services	3,421,544	671,665	-	4,093,209	-	7,405	-	7,405	-	4,100,614
Office Expenses	33,893	454,604	-	488,497	10,492	26,602	-	37,094	-	525,591
Information Technology	-	624,303	-	624,303	-	-	-	-	-	624,303
Occupancy Expenses	2,088,270	826,683	-	2,914,953	220,650	58,778	-	279,428	(613,983)	2,580,398
Travel Expenses	302,562	4,544	-	307,106	4,544	-	-	4,544	-	311,650
Depreciation Expense	3,745,045	-	-	3,745,045	5,025	-	-	5,025	-	3,750,070
Insurance Expense	-	495,121	-	495,121	-	-	-	-	-	495,121
Other Expenses	3,202,199	127,421	254,678	3,584,298	3,445	35,580	-	39,025	-	3,623,323
Subtotal	46,910,629	10,297,904	254,678	57,463,211	1,415,276	313,462	-	1,728,738	(613,983)	58,577,966
Eliminations	(366,783)	-	-	(366,783)	(247,200)	-	-	(247,200)	613,983	-
Total	$ 46,543,846	$ 10,297,904	$ 254,678	$ 57,096,428	$ 1,168,076	$ 313,462	$ -	$ 1,481,538	$ -	$ 58,577,966

See accompanying Notes to Financial Statements.

VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	K-12	Pre-School	Eliminations	Total Vaughn
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	$ 17,053,196	$ 247,082	$ -	$ 17,300,278
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:				
Amortization of ROU Assets	71,037	-	-	71,037
Depreciation	3,745,045	5,025	-	3,750,070
Realized/Unrealized Gains on Investments	(7,482,949)	-	-	(7,482,949)
Change in Operating Assets:				
Accounts Receivable - Federal and State	(2,680,512)	(107,382)	-	(2,787,894)
Prepaid Expenses and Other Current Assets	2,117	(3,125)	-	(1,008)
Right-of-Use (ROU) Asset - Operating	191,221	-	-	191,221
Change In Operating Liabilities:				
Accounts Payable	(2,711,072)	(24,519)	-	(2,735,591)
Accrued Payroll	(132,699)	44,870	-	(87,829)
Deferred Revenue	(3,081,387)	(63,270)	-	(3,144,657)
Operating Lease Liability	(189,487)	-	-	(189,487)
OPEB Liability	172,788	-	-	172,788
Net Cash Flows Provided by Operating Activities	4,957,298	98,681	-	5,055,979
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Investments	2,787,735	-	-	2,787,735
Purchase of Investments	(4,767,111)	-	-	(4,767,111)
Purchases of Property, Plant, and Equipment	(1,226,764)	(92,892)	-	(1,319,656)
Net Cash Flows Used by Investing Activities	(3,206,140)	(92,892)	-	(3,299,032)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on Finance Leases	(72,992)	-	-	(72,992)
Net Cash Flows Used by Financing Activities	(72,992)	-	-	(72,992)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,678,166	5,789	-	1,683,955
Cash and Cash Equivalents - Beginning of Year	52,630,330	1,770,809	-	54,401,139
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 54,308,496	$ 1,776,598	$ -	$ 56,085,094
Reconciliation to Statement of Financial Position:				
Cash in County Treasury	$ 44,003,508	$ 766,953	$ -	$ 44,770,461
Cash in Banks	10,304,988	1,009,645	-	11,314,633
Total Cash and Cash Equivalents	$ 54,308,496	$ 1,776,598	$ -	$ 56,085,094

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Vaughn Next Century Learning Center (Vaughn) provides preschool, elementary, middle school, and high school education offering improved learning facilities for underprivileged children in an impoverished, overcrowded neighborhood in the city of Los Angeles. Vaughn receives most of its support from the federal and state governments through the state of California and Los Angeles Unified School District (LAUSD). As a charter school under LAUSD authorization, Vaughn is considered to be part of LAUSD but it is independent from the district in that all decisions, including those regarding management and the use of funds, are made at the school level.

Vaughn accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of Vaughn conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

The following summary of significant accounting policies of Vaughn is provided to assist the reader in interpreting the basic financial statements presented in this section. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

Reporting Entity

Vaughn is authorized by Los Angeles Unified School District (LAUSD) to operate as a charter school starting July 1, 1993. Vaughn operated as an unincorporated public educational agency until May 2, 2011 when it was incorporated in the state of California as a California Nonprofit Public Benefit Corporation. The incorporation and amendment of bylaws were approved by the Board of Education of the City of Los Angeles (LAUSD governing board) and Vaughn's governing board. Vaughn has received a tax exemption status under Internal Revenue Code Section 501(c)(3) and California Revenue & Taxation Code Section 23701(d).

Vaughn is presenting its financial reporting in accordance with the Financial Accounting Standard Board, standards set forth for nonprofit entities.

Basis of Accounting

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

Basis of Presentation

The accompanying 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of 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 Vaughn's programs and other activities have been presented in the 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, other employee benefits, payroll taxes, occupancy, and depreciation which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

Vaughn 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.

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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and other approved purposes.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2025. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820. Earnings from investments are recorded as other local income in these financial statements. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date. All realized and unrealized gains or losses on investments are reported as increase or decrease in net assets without donor restrictions and classified as operating activities.

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital expenditure that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Any gain or loss on the sale of land, buildings, and other property is reported as other revenues on the financial statement of activities. Depreciation on all assets is calculated on the straight-line basis over the various estimated useful lives ranging from 5 to 39.

Buildings	39 Years
Improvements	15 Years
Furniture and Equipment	7 Years
Library Materials	5 Years

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by Vaughn 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.

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. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Vaughn 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 statement of financial position. As of June 30, 2025, Vaughn has conditional grants of $32,118,297 of which $15,380,795 is recognized as deferred revenue in the statement of financial position.

Property Taxes

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. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of Vaugh is 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.

Compensated Absences

Vaughn employees earn sick days based on the amount of time worked annually. Unused sick days for full-time employees is cumulative from year to year and can be accrued. Unused sick days cannot be converted to cash. Vaughn's policy is to record the use of sick days and substitute payment as an operating expense in the period taken. Thus, sick days are not recognized as a liability.

Income Taxes

Vaughn is a 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. Vaughn files an exempt organization return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Leases

Vaughn leases certain equipment and 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent Vaughn's right to use an underlying asset for the lease term and lease liabilities represent Vaughn's 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 leases do not provide an implicit rate, Vaughn 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 Vaughn will exercise that option. Vaughn 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.

Vaughn 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.

Vaughn's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, Vaughn considers factors such as if Vaughn has obtained substantially all of the rights to the underlying asset through exclusivity, if Vaughn 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.

Subsequent Events

Vaughn has evaluated subsequent events through December 10, 2025, the date these 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 statement of financial position date, comprise of the following:

Cash and Cash Equivalents	$ 56,085,094
Accounts Receivable	6,231,299
Less: Net Assets With Donor Restrictions	(4,416,152)
Total	$ 57,900,241

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

Cash in County Treasury	$ 44,770,461
Cash with Financial Institutions	11,314,633
Long-Term Investments	81,958,507

Cash in County Treasury

In accordance with Education Code 41001, Vaughn maintains substantial amount of its cash in the Los Angeles County Treasury as part of the common investment pool. The fair value of Vaughn's deposits as of June 30, 2025 as provided by the pool sponsor was $44,770,461. The County is authorized to deposit cash and invest funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Cash with Financial Institutions

Vaughn also maintains cash balances held in banks and revolving funds which are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. Vaughn 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.

Long-Term Investments by Vanguard Asset Management Services

Investments are held by Vanguard Asset Management Services in the following managed investment accounts:

1. Endowment Account
2. Employee Incentive Account
3. Capital Project Fund Account; and
4. LockBox Account

The target allocation of the Endowment and Employee Incentive accounts is 70% equity and 30% fixed-income or bonds. In October 2018, a separate, fourth account named "Lockbox" was established for the approximately $10 million of assets in the Endowment account that had been set aside in April 2018 to preserve the substantial amount of capital gains realized over the past 10 years. In June 2024, the Lockbox account transitioned from a 100% bond allocation to a diversified portfolio consisting of 60% equity and 40% bonds. The target allocation of the Capital Projects Fund account is 60% equity and 40% bonds.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

For the first three accounts listed above, the Vanguard manager uses a mix of Vanguard actively managed and Vanguard index funds encompassing small, medium, and large capitalization U.S. stocks. The Vanguard manager uses Vanguard index funds as the investment vehicles for international stocks and bonds, as well as a mix of Vanguard bond funds encompassing a range of duration (from short term to long-term) and credit quality (U.S. government bonds to high-yield corporate bonds). For the Lockbox account, the Vanguard manager uses a mix of Vanguard actively managed funds that consist of high- and medium-quality, investment-grade and government bonds with short-term maturities.

All investments are subject to risks. Equities are subject to market risk, with small and medium capitalization stocks historically having been more volatile than large capitalization stocks. Foreign investing involves additional risks including currency fluctuations and political uncertainty. Stocks of companies in emerging markets are generally riskier than stocks of companies in developing countries. Investments in bond funds are subject to credit, interest rate, and inflation risk.

Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the statement of financial position as of June 30, 2025. However, the diversification of Vaughn's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.

In the third quarter of 2019, Vaughn adopted a more index-centric equity and longer duration bond approach and directed the Vanguard manager to transfer investments that had been held in actively managed funds such as Vanguard’s Explorer, U.S. Growth, and Windsor II funds to index funds and investments held in short-term bond funds to long-term bond funds. In the first quarter of 2020, Vaughn directed the Vanguard manager to reallocate 36% of its equity investments to Vanguard’s Global Minimum Volatility fund to reduce portfolio volatility.

NOTE 4 FAIR VALUE MEASUREMENT

Vaughn applies the provisions of FASB ASC 820, *Fair Value Measurements, and Disclosures*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Although Vaughn believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

FASB ASC 820 also establishes a fair value hierarchy that requires Vaughn to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect Vaughn's market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,

Level 2 – Inputs consist of observable inputs other than quoted prices for identical assets, and

Level 3 – Inputs are unobservable; supported by little or no market activity and have the lowest priority.

Vaughn uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Fair Value Measurements

The following are total fair value measurement investments held by Vaughn at June 30, 2025:

	Level 1	Level 2	Level 3	Total
Fixed Income Funds	$ 27,077,730	$ -	$ -	$ 27,077,730
Equity Funds	54,880,777	-	-	54,880,777
Total Investments at Fair Value	$ 81,958,507	$ -	$ -	$ 81,958,507

The following schedule summarizes the composition of investment return for the year ended June 30, 2025:

Dividends and Interest	$ 3,602,570
Realized and Unrealized Gains	7,482,949
Investment Fees	(100,283)
Total Return on Investments	$ 10,985,236

NOTE 5 CAPITAL ASSETS

Capital assets in the accompanying financial statements are presented net of accumulated depreciation. Vaughn capitalizes all expenditures for land, buildings, and equipment in excess of $5,000. Depreciation expense was $3,750,070 for the year ended June 30, 2025.

One of the campuses, the Mainland Elementary School, used by Vaughn is owned by LAUSD. Vaughn has the right to use the property as long as the entity operates as a charter school.

The components of capital assets as of June 30, 2025 are as follows:

Depreciable Assets:	
Building and Improvements	$ 117,059,544
Equipment	292,787
Furniture	5,414,444
Total Depreciable Assets	122,766,775
Less: Accumulated Depreciation	(45,975,164)
Net Depreciable Assets	76,791,611
Nondepreciable Assets:	
Land	14,604,587
Construction In Progress	24,941,043
Total Nondepreciable Assets	39,545,630
Grand Total Capital Assets	$ 116,337,241

NOTE 6 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

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

The risks of participating in these multiemployer defined benefit pension plans are 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 the chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. Vaughn has no plans to withdraw from this multiemployer plan.

NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS)

Plan Description

Vaughn contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2024, total STRS plan net assets are $341 billion, the total actuarial present value of accumulated plan benefits is $482 billion, contributions from all employers totaled $8.577 billion, and the plan is 76.7% funded. Vaughn 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.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.205% of their salary. Vaughn 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, 2025 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

Year Ended June 30,	Required Contribution	Percent Contributed
2023	$ 3,022,584	100 %
2024	3,184,351	100
2025	3,345,673	100

Health and Medical Benefits for Retirees

Vaughn provides postemployment health benefits to its contracted, full time, certificated, and permanent employees. To qualify, a staff member must provide continuous years of service at Vaughn immediately prior to retirement without a break in service. Vaughn will follow the Rule of 80 (Years of service credit plus age upon retirement should equal 80 or more) for all eligible employees. Vaughn will accept service credit of former Los Angeles Unified District certificated staff members who began employment at Vaughn before July 1, 1998. The goal is to provide health benefits to eligible staff members (active or retired) up until the age of 65.

NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)

Health and Medical Benefits for Retirees (Continued)

The maximum level of support is not to exceed five years of health coverage and benefits are limited to a lifetime maximum of $36,000. The spouse or divorced spouse of a retired Vaughn employee is not eligible for Vaughn's post-retirement health benefits. Effective July 1, 2012, this plan is offered to only employees hired before July 1, 2012.

As a result of offering postemployment benefits other than pension (OPEB), Vaughn is required to report the value of such benefits and associated costs according to the accounting requirements of FASB ASC 715-60*, Defined Benefit Plans – Other Post-Retirement (FASB ASC 715-60)*. This standard requires Vaughn to get periodical actuarial reports and disclose the report summary in the financial statements (see Note 9 – OPEB Accounting and Actuarial Information).

Vaughn's post-retirement benefit plans are unfunded. However, Vaughn has designated part of the Employee Incentive investment account to fund a portion of the premiums for retirees' post-retirement benefit. Based on the latest actuarial report and the subsequent contributions made, Vaughn has an estimated liability of $667,146 as of June 30, 2025. Vaughn will commission an actuarial study every two years.

NOTE 7 NET ASSETS

Net assets without donor restriction represent the net asset portion that is available for all expenses in the next fiscal year.

Vaughn's net assets consist of the following at June 30, 2025:

Net Assets Without Donor Restrictions:	
Invested In Capital Assets, Net of Debt	$ 116,194,895
Undesignated Net Assets	117,581,053
Total Net Assets Without Donor Restrictions:	$ 233,775,948
Net Assets With Donor Restrictions:	
Subject to Specific Purpose:	
Child Nutrition Program	$ 4,416,152
Total Net Assets With Donor Restrictions:	$ 4,416,152

NOTE 8 RELATED PARTY

Vaughn has established the Vaughn Next Century Foundation (the Foundation), a nonprofit foundation under Internal Revenue Code 501(c)(3) as a supporting organization to the charter school. The Foundation supports some of Vaughn's college preparation programs such as college tours, college scholarships, international student exchange, and testing programs for college readiness.

NOTE 9 OPEB ACCOUNTING AND ACTUARIAL INFORMATION

Vaughn provides postemployment benefits other than pensions (OPEB) to employees who meet certain criteria (discussed in Note 6). As a result of offering such benefits, Vaughn is required to disclose benefit information in accordance with the FASB ASC 715-60.

Vaughn provides health benefits to retirees. Vaughn pays a major portion of the cost of premiums for eligible retirees. All active employees hired before July 1, 2012 who retire directly from Vaughn and meet the eligibility criteria may participate. Vaughn has not contributed any assets to the plan but continue to use “Pay-As-You-Go” method for current retiree’s health benefit expenses.

Although Vaughn has set aside funds for OPEB future obligations, Vaughn has not established a plan or equivalent arrangement that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. The information below is for the most recently completed actuarial valuation report for the year ended June 30, 2025.

Actuarial Cost Method

The actuarial valuation of OPEB was prepared using the projected unit credit actuarial cost method. Under this method the actuarial accrued liability is equal to the present value of all benefits actually expected to be paid from the plan multiplied by a fraction, the numerator of which is the number of years of service worked and the denominator of which is the total number of years of service that will be worked when the employee reaches full benefit eligibility age. The service cost is equal to the present value of all benefits actually expected to be paid divided by the total number of years of service that will be worked when the employee reaches full benefit eligibility age. The actuarial accrued liability is called the Accumulated Postretirement Benefit Obligation (APBO) and the present value of all benefits actually expected to be paid is called the Expected Postretirement Benefit Obligation (EPBO).

Actuarial Assumptions

Discount Rate – The rate used to discount liabilities is 5.35%, which was determined under a cash flow matching process and the FTSE Pension Discount Curve as of June 30, 2025.

Trend Rate – Actual premium rates were used for the 2024-2025 and 2025-2026 fiscal years. Going forward, the healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research, combined with Vaughn’s historical premium rate experience, suggests a 5.00% medical cost increase for the 2026-2027 fiscal year, grading down to an ultimate rate of 4.50% for the 2028-2029 fiscal year and beyond. Dental and vision costs are assumed to increase at 4.50% per year.

Morbidity – Based on the June 2013 Society of Actuaries Study entitled “Health Care Costs – From Birth to Death”. Pre-65 morbidity rates were based on the HMO costs.

NOTE 9 OPEB ACCOUNTING AND ACTUARIAL INFORMATION (CONTINUED)

Actuarial Assumptions (Continued)

Spouses – Assumption is not applicable Employee-only benefits are valued.

Salary Scale – There are no liabilities dependent on salary, therefore no salary increase rate is assumed.

Funded Status and Funding Progress

As of June 30, 2025, Vaughn's plan has an Accumulated Postretirement Benefit Obligation of $667,146, and is unfunded. The plan had zero assets and the net amount of actuarial accrued liability recognized is $667,146.

The following table presents the net periodic postretirement benefit cost and reconciliation of the funded status as of June 30, 2025.

Net Periodic Postretirement Benefits Cost	June 30, 2025
Service Cost	$ 28,700
Interest Cost	32,085
Expected Return on Plan Assets	-
Amortization of Net (Gain)/Loss	(11,355)
Amortization of Prior Service Cost	-
Amortization of Transition Obligation	5,149
Net Periodic Postretirement Benefits Cost	$ 54,579

Reconciliation of Funded Status	June 30, 2025
Accumulated Postretirement Benefit Obligation	$ 667,146
Fair Value of Plan Assets	-
Unfunded Status	667,146
Unrecognized Amounts:	
Actuarial (Gain)/Loss	(93,491)
Transition (Obligation)/Asset	41,196
Accrued Postretirement Benefit Cost	$ (52,295)

The following table presents the reconciliation of accrued benefit cost for the year ended June 30, 2025:

Accrued Postretirement Benefit Cost as of July 1, 2024	$ 494,358
Net Periodic Postretirement Benefit Cost for Fiscal Year	54,579
Estimated Employer Contributions for Fiscal Year	-
Accrued Postretirement Benefit Cost as of June 30, 2025	$ 548,937

NOTE 9 OPEB ACCOUNTING AND ACTUARIAL INFORMATION (CONTINUED)

Funded Status and Funding Progress (Continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effect:

	Change in Medical Trend Rate	
	1% Increase	1% Decrease
Effect on Health Care Component of the:		
Accumulated Postretirement Benefit Obligation	Increase of $52,025	Decrease of $50,818
Service Cost Plus Interest Cost	Increase of $5,334	Decrease of $5,170

Unrecognized gains and losses, including changes in actuarial assumptions, are amortized over the average remaining lifetime of the active participants, to the extent that they exceed, in absolute value, 10% of the greater of the Fair Value of Plan Assets or the Accumulated Postretirement Benefit Obligation.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Fiscal Year Ending	Amount
June 30, 2026	$ 47,174
June 30, 2027	52,336
June 30, 2028	28,911
June 30, 2029	14,990
June 30, 2030	16,400
June 30, 2031 - June 30, 2035	208,821

As the OPEB is not funded, there are no plan assets to report.

NOTE 10 LEASES – ASC 842

Vaughn leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging from 1 month to 1 year. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning Vaughn's leases for the year ended June 30, 2025:

	Amount
Lease Costs	
Finance Lease Costs:	
Amortization of Right-Of-Use Assets	$ 71,037
Interest on Lease Liabilities	1,710
Operating Lease Costs	200,485
Total Lease Costs	$ 273,232
Other Information:	
Operating Cash Flows from Financing Leases	$ 1,710
Operating Cash Flows from Operating Leases	201,627
Financing Cash Flows from Financing Leases	72,992
Right-Of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	-
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	-
Weighted-Average Remaining Lease Term - Financing Leases	0.7 years
Weighted-Average Remaining Lease Term - Operating Leases	2.4 years
Weighted-Average Discount Rate - Financing	1.90%
Weighted-Average Discount Rate - Operating	3.21%

Vaughn 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, 2025, is as follows:

Year Ending June 30,	Operating Leases	Finance Leases	Totals
2026	$ 129,623	$ 56,990	$ 186,613
2027	91,347	-	91,347
2028	62,488	-	62,488
Total Lease Payments	283,458	56,990	340,448
Less: Interest	(11,699)	(397)	(12,096)
Present Value of Lease Liabilities	271,759	56,593	328,352

NOTE 11 CONTINGENCIES, RISKS, AND UNCERTAINTIES

Vaughn 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, it is believed that any required reimbursement would not be material.

SUPPLEMENTARY INFORMATION

VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2025

	Instructional Minutes		Traditional	
	Requirement	Actual	Calendar Days	Status
Transitional Kindergarten	36,000	48,200	180	In Compliance
Kindergarten	36,000	49,420	180	In Compliance
Grade 1	50,400	51,160	180	In Compliance
Grade 2	50,400	51,190	180	In Compliance
Grade 3	50,400	51,190	180	In Compliance
Grade 4	54,000	54,332	180	In Compliance
Grade 5	54,000	54,332	180	In Compliance
Grade 6	54,000	59,670	180	In Compliance
Grade 7	54,000	59,670	180	In Compliance
Grade 8	54,000	59,670	180	In Compliance
Grade 9	64,800	65,145	180	In Compliance
Grade 10	64,800	65,145	180	In Compliance
Grade 11	64,800	65,145	180	In Compliance
Grade 12	64,800	65,145	180	In Compliance

See accompanying Notes to Supplementary Information.

VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2025

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades TK-3	761.26	761.26	763.61	763.61
Grades 4-6	641.46	641.46	640.09	640.09
Grades 7-8	401.20	401.20	399.56	399.56
Grades 9-12	652.39	652.39	649.06	649.06
ADA Totals	2,456.31	2,456.31	2,452.32	2,452.32

See accompanying Notes to Supplementary Information.

VAUGHN NEXT CENTURY LEARNING CENTER
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

June 30, 2025 Annual Financial Report	
Fund Balances (Net Assets)	$ 238,053,999
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Cash in Banks	(1,056)
Accounts Receivable	84,843
Right-of-Use (ROU) Asset - Operating	(310,499)
Right-of-Use (ROU) Asset - Financing	48,240
Accounts Payable and Accrued Liabilities	(262,877)
Operating Lease Liability	319,073
Financing Lease Liability	(56,593)
Net Adjustments and Reclassifications	(178,869)
June 30, 2025 Audited Financial Statement	
Fund Balances (Net Assets)	$ 237,875,130

See accompanying Notes to Supplementary Information.

VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	Federal Expenditures
U.S. Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	N/A		$ 1,522,003
School Climate Transformation Grant	84.184G	N/A		411,524
Pass-Through Program from California Department of Education				
Every Student Succeeds Act:				
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329		1,420,864
Title II, Part A - Improving Teaching Quality	84.367	14341		132,524
Title III - Limited English Proficiency (LEP)	84.365	14346		92,916
Title IV, 21st Century Community Learning Centers Program	84.287	14349		895,591
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	1,082,749
American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth II (ARP-HCY II)	84.425W	N/A	COVID-19	46,737
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				1,129,486
Special Education Cluster:				
Special Education - IDEA Basic Local Assistance	84.027	13379		633,052
Total Special Education Cluster				633,052
Total Pass-Through from California Department of Education				4,304,433
Total U.S. Department of Education				6,237,960
U.S. Department of Agriculture				
Pass-Through Program from California Department of Education				
Child Nutrition Cluster:				
School Breakfast Program Especially Needy	10.553	13526		1,275,734
National School Lunch Program	10.555	13396		1,954,747
Meal Supplements	10.555	13396		103,594
Total Child Nutrition Cluster				3,334,075
Total U.S. Department of Agriculture				3,334,075
Total Federal Expenditures				$ 9,572,035

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

See accompanying Notes to Supplementary Information.

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by Vaughn and whether Vaughn 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 Vaughn. The purpose of attendance accounting from a fiscal standpoint is to provide the basis of which apportionments of state funds are made to charter schools. The schedule provides information regarding the attendance of students at various grade levels.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED 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 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 Vaughn under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Vaughn, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Vaughn. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 5 INDIRECT COST RATE

Vaughn has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

VAUGHN NEXT CENTURY LEARNING CENTER
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

Vaughn Next Century Learning Center (Vaughn) began operations as an independent charter school on July 1, 1993. Vaughn is charter school number 16 in the state of California. Vaughn's current charter was approved by the Los Angeles Unified School District on July 1, 2008 and a new one renewed on July 1, 2018. Vaughn is located at 13330 Vaughn Street, San Fernando, California in the San Fernando Valley of the County of Los Angeles. It serves an attendance area of approximately 12 square miles including the cities of Pacoima, San Fernando, and Sylmar. Vaughn operates 5 campuses: the primary center serving preschool through grade 1; the lower elementary, serving grades 2 and 3; the upper elementary, serving grades 4 and 5; the middle school serving grades 6 through 8; and the high school, serving grades 9 through 12.

The Board of Directors and the Administrators as of June 30, 2025 were as follows:

Board of Directors

Member	Office	Term Information
Leland Tang	President	3-Year Term Ending August 2028
Luis Cervantes	Treasurer	3-Year Term Ending May 2025
Stephen Holle	Member	3-Year Term Ending August 2028
Amanda Uncapher	Member	3-Year Term Ending April 2026
Dr. Anthony Jackson	Member	3-Year Term Ending September 2025
Suzanne Llamas	Member	3-Year Term Ending September 2026
Magaly Rojas	Member	3-Year Term Ended December 2024
David Cory	Member	1-Year Term Ending October 2024
Andrea Alvarez	Member	1-Year Term Ending October 2028

Administrators

Fidel Ramirez	Chief Executive Officer
Yolanda Griffin	Chief Financial Officer

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

Board of Directors
Vaughn Next Century Learning Center
San Fernando, 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 financial statements of Vaughn Next Century Learning Center (Vaughn), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vaughn'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vaughn's internal control. Accordingly, we do not express an opinion on the effectiveness of Vaughn'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 entity's 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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vaughn's 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Ontario, California
December 10, 2025

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

Board of Directors
Vaughn Next Century Learning Center
San Fernando, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Vaughn Next Century Learning Center (Vaughn)'s 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 Vaughn's major federal programs for the year ended June 30, 2025. Vaughn'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, Vaughn 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Vaughn 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 Vaughn'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 Vaughn's federal programs.

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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 Vaughn'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 Vaughn'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 Vaughn'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 Vaughn'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 Vaughn'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

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

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

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

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



CliftonLarsonAllen LLP

Ontario, California
December 10, 2025

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

Board of Directors
Vaughn Next Century Learning Center
San Fernando, California

Report on Compliance

Opinion on State Compliance

We have audited Vaughn Next Century Learning Center's (Vaughn) compliance with the types of compliance requirements applicable to Vaughn described in the *2024-2025 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, 2025. Vaughn's applicable state compliance requirements are identified in the table below.

In our opinion, Vaughn complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Vaughn 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 Vaughn'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 Vaughn's state programs.

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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 Vaughn'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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 Vaughn's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Vaughn'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 Vaughn '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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of Vaughn'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 Vaughn's compliance with the laws and regulations applicable to the following items:

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
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[1]
Immunizations	Not Applicable[1]
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable[1]
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Not Applicable[2]
Kindergarten Continuance	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable[1]
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable[1]
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable[1]

Not Applicable[1]: Vaughn did not receive program funding or did not otherwise operate the program during the fiscal year.

Not Applicable[2]: Vaughn was exempted from these requirements due to the Los Angeles fires.

Report on Internal Control over Compliance

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2024-2025 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

Ontario, California
December 10, 2025

VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditors' Results

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 not Considered to be Material Weakness(es)	____ Yes	X None Reported	
3. Noncompliance Material to Financial Statements Noted	____ Yes	X No	

Federal Awards

1. Internal Control over Major Programs:			
• Material Weakness(es) Identified	____ Yes	X No	
• Significant Deficiency(ies) Identified Not Considered to be Material Weakness(es)	____ Yes	X None Reported	
2. Type of Auditors' Report Issued on Compliance for the Major Programs:	*Unmodified*		
3. Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	____ Yes	X No	

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.555	Child Nutrition Cluster
84.027	Special Education: IDEA Basic Local Assistance

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000		
Auditee qualified as low-risk auditee?	X Yes	____ No	

Section I – Summary of Auditors' Results (Continued)

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

Five Digit Code	Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental
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 – Financial Statement Findings

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

Findings and Questioned Costs – State Compliance

There were no findings or questioned costs related to state awards for June 30, 2025.

VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025

2024-001 Mode of Instruction 40000

Criteria: Pursuant to the provisions of Education Code Sections 47605(l), the charter school's pupils were engaged in educational activities required of those pupils and the pupils were under the immediate supervision and control of an employee of the charter school who possessed a valid teaching certification.

Condition: One teacher out of the sixteen sampled for testing did not have proper credentials for portions of the school year. As a result, the mode of instruction requirement for ADA reported to o the CDE by the charter school as generated through classroom-based instruction is out of compliance. The lack of valid teaching certifications resulted in 3.77 disallowed P-2 ADA and 2.63 P-Annual ADA pursuant to Ed Code 43501.

Effect: Vaughn is not in compliance with Education Code section 47605(l) for 3.77 P-2 ADA and 2.63 P-Annual ADA.

Cause: Monitoring of teacher credentials was insufficient to ensure compliance.

Questioned Costs: Pursuant to Education Code Section 47605(l) the provisional reduction in apportionment calculated, based on the sample population is as follows:

Vaughn Next Century Learning Center						
Affected grade level(s)	# of teachers	Attendance per Teacher in P-2 Period	# of days in P-2 Period	P-2 ADA instructed to be disallowed:	Derived Value of ADA by Grade Span	Penalty by Grade Span
2nd Grade	1	471	125	3.77	$ 15,269.03	$ 57,533.71

Repeat Finding: This is not a repeat finding.

Recommendation: Vaughn is encouraged to implement stronger controls over monitoring of valid credentials.

Status: Implemented

VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025

2024-002 Instructional Time 40000

Criteria: Pursuant to the provisions of subdivision (a)(1) of Education Code Section 47612.5, the minimum instructional minutes offered for grade 2 should be 50,400 and the minimum number of instructional days should be 175.

Condition: Due to the noncompliance identified in 2024-001, the one teacher without proper credentials led to a reduction of instructional minutes for the periods they instructed. Specifically, the instructional minutes for 2nd grade were reduced for the period of August 2, 2023 through September 7, 2023. This reduction of 7,680 instructional minutes and 26 instructional days resulted in the adjusted total instructional minutes (44,295) and adjusted total instructional days (153) falling below the minimum required (50,400) pursuant to Ed Code 47612.5(a)(1).

Effect: Vaughn was not in compliance with Ed Code 47612.5(a)(1) for Grade 2.

Cause: Monitoring of teacher credentials was insufficient to ensure compliance.

Questioned Costs: Pursuant to Education Code Section 47612.5, the provisional reduction in apportionment is as follows:

Vaughn Next Century Learning Center	
Calculating the Cost of an Instructional Time Audit Finding	**1-3**
Affected grade level(s)	2
Number of required days	175
Number of days short	22
Days of operation adjustment factor	0.874286
Affected grade level ADA	18.60
Adjusted ADA for LCFF Apportionment	16.26
Derived Value of ADA by Grade Span	$ 15,269.03
Number of required minutes	50,400
Number of minutes short	6,105
Percentage of Minutes Not Offered	12.11%
Affected LCFF Apportionment by Grade Span	$ 248,274
Instructional Time Penalty by Grade Span	$ 30,066
Total Instructional Time Penalty	$ 30,066

Repeat Finding: This is not a repeat finding.

Recommendation: Vaughn is encouraged to implement stronger controls over monitoring of valid credentials.

Status: Implemented



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