



New Designs Charter  
Schools

Nonprofit Corporation

New Designs Charter School-  
University Park #0601

New Designs Charter School-  
Watts #1120

Audit Report

June 30, 2023



**New Designs Charter Schools**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2023

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**TABLE OF CONTENTS**

<b><u>INDEPENDENT AUDITOR’S REPORT</u></b>	<b><u>2</u></b>
<b><u>FINANCIAL STATEMENTS</u></b>	<b><u>5</u></b>
Consolidated Statement of Financial Position .....	4
Consolidated Statement of Activities.....	5
Consolidated Statement of Functional Expenses .....	6
Consolidated Statement of Cash Flows .....	7
Notes to the Consolidated Financial Statements.....	8
<b><u>SUPPLEMENTARY INFORMATION</u></b>	<b><u>18</u></b>
Consolidating Statement of Financial Position.....	18
Consolidating Statement of Activities .....	19
Consolidating Statement of Functional Expenses.....	20
LEA Organization Structure .....	18
Schedule of Average Daily Attendance.....	19
Schedule of Instructional Time.....	20
Schedule of Financial Trends & Analysis.....	21
Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements.....	23
Notes to Supplementary Information.....	24
Schedule of Expenditures of Federal Awards.....	26
Notes to the Schedule of Expenditures of Federal Awards.....	27
<b><u>OTHER INDEPENDENT AUDITOR’S REPORTS</u></b>	<b><u>26</u></b>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	26
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> .....	28
Independent Auditor’s Report on State Compliance and on Internal Control Over State Compliance.....	30
<b><u>AUDITOR’S RESULTS, FINDINGS &amp; RECOMMENDATIONS</u></b>	<b><u>33</u></b>
Schedule of Auditor’s Results.....	33
Schedule of Findings and Questioned Costs.....	34
Schedule of Prior Year Audit Findings.....	35

## Independent Auditor's Report

To the Board of Directors  
New Designs Charter Schools

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of New Designs Charter Schools (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, consolidated functional expenses, and consolidated cash flows for the year then ended, and the related Notes to the Consolidated Financial Statements.

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

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Designs Charter Schools 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 opinions.

#### Emphasis of Matter – Changes in Accounting Principle and Policy

As described in Note A to the consolidated financial statements, in the fiscal year ended June 30, 2023, the School adopted new accounting guidance, *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases*. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 New Designs Charter Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 New Designs Charter Schools' 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 New Designs Charter Schools' 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 the financial statements as a whole. 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. The additional accompanying supplementary information, as identified in the Table of Contents and as required by the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards and additional accompanying supplementary information, as identified in the Table of Contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of New Designs Charter Schools' 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 of New Designs Charter Schools' 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 New Designs Charter Schools' internal control over financial reporting and compliance.

El Cajon, California  
December 14, 2023

## Financial Statements

**New Designs Charter Schools**  
Consolidated Statement of Financial Position  
June 30, 2023

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**Assets**

Cash and cash equivalents	\$ 10,454,079
Operating investments	4,025,784
Accounts receivable	3,525,540
Accounts receivable - related entities	739,165
Prepaid expenses	131,958
Security deposits	25,567
Other assets cost of issuance	1,443,125
Property and equipment, net	40,687,025
Right-of-use assets, operating leases	
Facilities and equipment	45,079,601
Accumulated amortization	<u>(1,259,287)</u>
Total Assets	<u><u>\$ 104,852,557</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable - vendors	\$ 1,884,597
Accounts payable - related entities	463,900
Accounts payable - grantor government	1,882,890
Accrued payroll liabilities	186,879
Unearned revenue	3,163,461
Leases payable	43,821,779
Bonds payable	<u>40,174,617</u>
Total Liabilities	<u>91,578,123</u>

**Net Assets**

Without donor restrictions	
Undesignated	12,694,075
Invested in property and equipment, net of related debt	<u>512,408</u>
	<u>13,206,483</u>

With donor restrictions

Restricted for nutrition programs	<u>67,951</u>
	<u>67,951</u>

Total Net Assets	<u>13,274,434</u>
Total Liabilities and Net Assets	<u><u>\$ 104,852,557</u></u>

The accompanying notes are an integral part of this statement.

# New Designs Charter Schools

## Consolidated Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 8,882,741	\$ -	\$ 8,882,741
Education protection account state aid	822,456	-	822,456
Transfers in lieu of property taxes	3,359,251	-	3,359,251
Total LCFF sources	<u>13,064,448</u>	<u>-</u>	<u>13,064,448</u>
Federal contracts and grants	-	2,853,330	2,853,330
State contracts and grants	6,279,808	937,800	7,217,608
Local contracts and grants	97,580	1,644	99,224
Donations	32,860	15,636	48,496
Interest income	149,875	-	149,875
Net assets released from restriction -	-	-	-
Grant restrictions satisfied	<u>3,740,463</u>	<u>(3,740,463)</u>	<u>-</u>
Total revenue, support, and gains	<u>23,365,034</u>	<u>67,947</u>	<u>23,432,981</u>
<b>Expenses and Losses</b>			
Program services expense	13,979,407	-	13,979,407
Supporting services expense	<u>8,260,977</u>	<u>-</u>	<u>8,260,977</u>
Total expenses and losses	<u>22,240,384</u>	<u>-</u>	<u>22,240,384</u>
<b>Change in Net Assets</b>	1,124,650	67,947	1,192,597
<b>Net Assets, Beginning of Year</b>	<u>12,081,833</u>	<u>4</u>	<u>12,081,837</u>
<b>Net Assets, End of Year</b>	<u>\$ 13,206,483</u>	<u>\$ 67,951</u>	<u>\$ 13,274,434</u>

The accompanying notes are an integral part of this statement.



**New Designs Charter Schools**  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	<u>Educational Programs</u>	<u>Management and General</u>	
Salaries and Wages	\$ 4,735,566	\$ 2,734,468	\$ 7,470,034
Pension expense	1,212,712	700,665	1,913,377
Other employee benefits	665,173	384,862	1,050,035
Payroll taxes	173,412	100,264	273,676
Fees for services:			
Management	-	476,921	476,921
Legal	-	232,562	232,562
Audit	-	25,300	25,300
Professional consulting	2,789,556	825,186	3,614,742
District oversight	-	122,408	122,408
Banking and service charges	-	31,699	31,699
Advertising and promotion	-	210,206	210,206
Office expenses	405,831	-	405,831
Information technology	89,710	-	89,710
Amortization	-	61,474	61,474
Occupancy	79,837	-	79,837
Travel	-	14,652	14,652
Conferences, conventions, and meetings	48,682	-	48,682
Debt service interest	-	1,907,034	1,907,034
Depreciation	1,090,861	-	1,090,861
Insurance	-	385,316	385,316
Other expenses:			
Books and supplies	2,183,992	-	2,183,992
Noncapitalized equipment	57,240	-	57,240
Special education encroachment	222,214	-	222,214
Student events	217,371	-	217,371
Miscellaneous	7,250	47,960	55,210
<b>Total expenses by function</b>	<b>\$ 13,979,407</b>	<b>\$ 8,260,977</b>	<b>\$ 22,240,384</b>

The accompanying notes are an integral part of this statement.

# New Designs Charter Schools

## Consolidated Statement of Cash Flows

Year Ended June 30, 2023

<b>Cash Flows from Operating Activities</b>	
Receipts from federal, state, and local contracts and grants	\$ 22,870,251
Receipts from property taxes	3,359,251
Receipts from interest	149,875
Other cash receipts	48,496
Payments for salaries, benefits and payroll taxes	(10,873,081)
Payments to vendors	(9,670,952)
<b>Net Cash Provided by Operating Activities</b>	<u>5,883,840</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of property and equipment	(776,678)
Purchases of investments	(186,848)
<b>Net Cash Used for Investing Activities</b>	<u>(963,526)</u>
<b>Cash Flows from Financing Activities</b>	
Payments on bonds & notes payable	(1,116,832)
<b>Net Cash Used for Financing Activities</b>	<u>(1,116,832)</u>
<b>Net Change in Cash and Cash Equivalents</b>	3,803,482
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>6,650,597</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,454,079</u>
<b>Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities</b>	
Change in net assets	\$ 1,192,597
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	1,090,861
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	987,727
Accounts receivable - related entities	(739,165)
Prepaid expenses	200,177
Security deposits	200
Other assets cost of issuance	61,474
Right-of-use assets, operating leases	(43,820,314)
Increase (Decrease) in liabilities	
Accounts payable - vendors	1,067,623
Accounts payable - related entities	179,675
Accounts payable - grantor government	1,049,825
Accrued payroll liabilities	(117,176)
Accrued vacation liability	(48,783)
Unearned revenue	957,340
Leases payable	43,821,779
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 5,883,840</u>

The accompanying notes are an integral part of this statement.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements  
Year Ended June 30, 2023

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**A. Principal Activity and Summary of Significant Accounting Policies**

*Organization Structure*

New Designs Charter School University Park

New Designs Charter School University Park (the School) is a non-profit public benefit corporation. The School petitioned and was approved through the Los Angeles Unified School District in 2003. The school currently serves approximately 750 students grades 6-12.

The mission of the School is to accelerate students' academic achievement by developing healthy students, proficient readers and writers with higher-order thinking skills who are capable of problem solving and are self-motivated, competent, lifelong learners, and social inter-actors prepared for the work force of the 21<sup>st</sup> century.

New Designs Charter School Watts

New Designs Charter School Watts (the School) is a non-profit public benefit corporation. The School petitioned and was approved through the Los Angeles Unified School District for a five-year period on July 1, 2009, and ending on June 40, 2014, which was renewed through 2019. The School commenced operations during the 2009-2010 fiscal year and currently serves about 260 students in grades 6-12.

The mission of the School is to provide a multi-cultural, student-centered environment, in which all students will be held to a high academic and behavioral standard. Students will work in collaborative relationships, both within and outside the school site and will perform service to the greater community.

University Park and Watts LLC

University Park and Watts LLC (the LLC) exists to support the schools by leasing them the buildings they reside in. The Corporation charges the schools lease amounts equal to the required debt payments on the bonds it holds for the properties.

Home Office

The Home Office is an accounting tool utilized by the back office, CSMC, to handle intercompany transactions for the entity as a whole. It is not a separate entity, the assets and liabilities that it has belong to each school.

*Basis of Accounting*

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The School uses the accrual basis of accounting, under which revenues are recognized when they are earned, and expenditures are recognized in the accounting period in which the liability is incurred.

*Basis of Consolidation*

The accompanying consolidated financial statements include accounts of New Designs Charter Schools and its related entity, University Park and Watts LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

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*Cash and Cash Equivalents*

The School considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

*Accounts Receivable*

Accounts receivables consist primarily of non-interest-bearing amounts due to the School for federal, state, and local grants and contracts receivable. The amounts in accounts receivable are considered fully collectable and as such there has not been an allowance for uncollectable accounts or discount established for the School.

*Property and Equipment*

The School records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

*Leases*

The School leases facilities and equipment which are utilized in its charitable purpose. The School determines if an arrangement is a lease at inception. Operating leases are included in the operating lease right-of-use assets, other current liabilities, and operating lease liabilities in the Statement of Financial Position. Financing leases are included in the financing lease right-of-use assets, other current liabilities, and financing lease liabilities in the Statement of Financial Position.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Our lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

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

The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School has elected to apply the short-term lease exemption to any leases with terms of 12 months or less or any leases below the threshold of \$5,000.

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

In allocating consideration in the contract to the separate lease components and the non-lease components, the School uses the stand-alone prices of the lease and non-lease components. Observable stand-alone prices are used, if available. If the stand-alone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

#### *Investments*

The School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

#### *Net Assets*

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

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

*Net Assets With Donor Restrictions* – 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 those resources be maintained in perpetuity. 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.

#### *Prepaid Expenses*

Prepaid expenses are recorded to account for expenditures during the benefiting period.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

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*Revenue and Revenue Recognition*

The School recognizes revenue from sales when the products are transferred, and services are provided. The School records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Some federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. In such cases the revenue is recognized once all performance requirements have been met.

*Donated Services and In-Kind Contributions*

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and developing activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

*Advertising*

Advertising costs are expensed as incurred and approximated \$210,206 during the year ended June 30, 2023.

*Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

*Income Taxes*

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2023, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2023.

*Prepaid Expenses*

Prepaid expenses are recorded to account for expenditures during the benefiting period.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

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*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the School to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

*Financial Instruments and Credit Risk*

The School manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the School has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies.

*LCFF Revenues and Payments in Lieu of Property Taxes*

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the School, which is funding in lieu of property taxes, and education protection account funds paid by the state under Proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 55.75% of the School's revenue.

The School is not at risk of losing these funding sources, as long as the School maintains a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

*New Accounting Guidance*

The Financial Accounting Standards Board (FASB) issues accounting standards updates and additional guidance for not-for-profit and for-profit agencies to establish consistent accounting across all organizations in the United States. The following table represents items that have been issued by FASB that became effective in the 2022-23 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2016-02 - Leases (Topic 842)	Feb-16
FASB Accounting Standards Update 2018-01 - Leases (Topic 842)	Jan-18
FASB Accounting Standards Update 2018-11 - Leases Targeted Improvements (Topic 842)	Jul-18
FASB Accounting Standards Update 2018-14 - Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)	Aug-18
FASB Accounting Standards Update 2018-20 - Leases (Topic 842)	Dec-18
FASB Accounting Standards Update 2019-01 - Leases (Topic 842)	Mar-19
FASB Accounting Standards Update 2019-12 - Income Taxes (Topic 740)	Dec-19
FASB Accounting Standards Update 2020-01 - Investments (Topics 321, 323, and 815)	Jan-20
FASB Accounting Standards Update 2020-05 - Revenue from Contracts with Customers (Topic 606)	Jun-20
FASB Accounting Standards Update 2020-05 - Leases (Topic 842)	Jun-20
FASB Accounting Standards Update 2020-08 - Codification Improvements for Receivables (Topic 310-20)	Oct-20
FASB Accounting Standards Update 2021-02 - Franchisors Revenue (Topic 952-606)	Jan-21
FASB Accounting Standards Update 2021-04 - Earnings Per Share (Topic 260)	May-21
FASB Accounting Standards Update 2021-04 - Debt Modifications and Extinguishments (Topic 470-50)	May-21
FASB Accounting Standards Update 2021-04 - Stock Compensation (Topic 718)	May-21
FASB Accounting Standards Update 2021-04 - Derivatives and Hedging (Topic 815-40)	May-21



**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

Description	Date Issued
FASB Accounting Standards Update 2021-05 - Leases (Topic 842)	Jul-21
FASB Accounting Standards Update 2021-07 - Stock Compensation (Topic 718)	Oct-21
FASB Accounting Standards Update 2021-09 - Leases (Topic 842)	Nov-21
FASB Accounting Standards Update 2021-10 - Government Assistance (Topic 832)	Nov-21
FASB Accounting Standards Update 2022-06 - Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848	Dec-22
FASB Accounting Standards Update 2023-03 - Financial Statement Reporting Amendments to SEC Paragraphs of Multiple Topics	Jul-23
FASB Accounting Standards Update 2023-04 - Liabilities (Topic 405): Amendments to SEC Paragraphs	Aug-23

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The School has adopted provisions of effective Accounting Standards Updates. The implementation of these items did not result in a change to financial presentation for the School.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 using a modified retrospective approach. The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, statement of functional expenses, or statement of cash flows.

*Subsequent Events*

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 14, 2023, the date the financial statements were available to be issued.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

**B. Liquidity and Availability**

The School's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Total
Cash and cash equivalents	\$ 6,568,767	\$ 3,885,312	\$ -	\$ 10,454,079
Operating investments	-	-	4,025,784	4,025,784
Accounts receivable	2,725,767	799,773	-	3,525,540
Accounts receivable - related entities	-	-	275,266	275,266
	<u>\$ 9,294,534</u>	<u>\$ 4,685,085</u>	<u>\$ 4,301,050</u>	<u>\$ 18,280,669</u>

**C. Fair Value Measurement and Disclosures**

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

The School has funds at the Los Angeles County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2023:

<u>Assets</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Operating investments:				
Cash in money market funds	\$ 4,025,784	\$ 4,025,784	\$ -	\$ -

**D. Cash and Cash Equivalents**

The School's cash and cash equivalents on June 30, 2023, consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>University Park and Watts LLC</u>	<u>Total</u>
Cash in bank accounts	\$ 6,568,767	\$ 3,885,312	\$ -	\$ 10,454,079
Cash in money market accounts	-		4,025,784	4,025,784
Total cash and cash equivalents	<u>\$ 6,568,767</u>	<u>\$ 3,885,312</u>	<u>\$ 4,025,784</u>	<u>\$ 14,479,863</u>

*Cash Equivalents*

The LLC maintains their funds in short term investments with maturities less than three months in length (\$4,025,784 as of June 30, 2023). These cash equivalents consist of United States Government Money Market Funds. These funds are not FDIC insured and are therefore exposed to custodial credit risk. The LLC does not anticipate any losses as a result of this risk. Cash may be added or withdrawn from the money market accounts without limitation.

*Cash in Bank*

The School's cash, (\$10,454,079 as of June 30, 2023) is held in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2023, the School held \$10,200,248 in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

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**E. Accounts Receivable**

As of June 30, 2023, the School's accounts receivable consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>Total</u>
Federal Government			
ESSER/GEER	\$ 233,352	\$ 67,620	\$ 300,972
Special Education	14,111	3,833	17,944
Child Nutrition	150,826	61,666	212,492
Other Federal Programs	1,849	5,354	7,203
State Government			
Special Education	34,855	8,792	43,647
State Aid	1,823,875	547,089	2,370,964
Lottery Funding	98,522	31,827	130,349
Arts & Music	194,991	-	194,991
Child Nutrition	63,682	10,625	74,307
ASES	21,044	38,012	59,056
Local Government			
Property Tax Payments	88,660	22,327	110,987
Other Local Sources			
Other Local Sources	-	2,628	2,628
Total Accounts Receivable	<u>\$ 2,725,767</u>	<u>\$ 799,773</u>	<u>\$ 3,525,540</u>

**F. Prepaid Expenses**

As of June 30, 2023, the School's prepaid expenses consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>Total</u>
Insurance, payroll and benefits	\$ 19,000	\$ -	\$ 19,000
Vendors	79,753	31,440	111,193
Maintenance lease	1,765	-	1,765
Total Prepaid Expenses	<u>\$ 100,518</u>	<u>\$ 31,440</u>	<u>\$ 131,958</u>

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

**G. Property and Equipment**

Property and equipment for New Designs University Park consisted of the following at June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	\$ 82,350	\$ 474,750	\$ -	\$ 557,100
Total Non-Depreciable Capital Assets	<u>82,350</u>	<u>474,750</u>	<u>-</u>	<u>557,100</u>
Depreciable Capital Assets				
Buildings and Improvements	5,716,219	144,091	-	5,860,310
Equipment, Furniture, and Fixtures	576,281	4,299	-	580,580
Total Depreciable Capital Assets	<u>6,292,500</u>	<u>148,390</u>	<u>-</u>	<u>6,440,890</u>
Total Capital Assets	6,374,850	623,140	-	6,997,990
Less Accumulated Depreciation	<u>(3,099,132)</u>	<u>(321,321)</u>	<u>-</u>	<u>(3,420,453)</u>
Capital Assets, Net	<u>\$ 3,275,718</u>	<u>\$ 301,819</u>	<u>\$ -</u>	<u>\$ 3,577,537</u>

Property and equipment for New Designs Watts consisted of the following at June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	\$ -	\$ 137,900	\$ -	\$ 137,900
Total Non-Depreciable Capital Assets	<u>-</u>	<u>137,900</u>	<u>-</u>	<u>137,900</u>
Depreciable Capital Assets				
Buildings and Improvements	\$ 1,253,146	\$ 6,750	\$ -	\$ 1,259,896
Equipment, Furniture, and Fixtures	163,981	8,878	-	172,859
Total Depreciable Capital Assets	<u>1,417,127</u>	<u>15,628</u>	<u>-</u>	<u>1,432,755</u>
Total Capital Assets	1,417,127	153,528	-	1,570,655
Less Accumulated Depreciation	<u>(1,034,171)</u>	<u>(62,408)</u>	<u>-</u>	<u>(1,096,579)</u>
Capital Assets, Net	<u>\$ 382,956</u>	<u>\$ 91,120</u>	<u>\$ -</u>	<u>\$ 474,076</u>

Property and equipment for the University Park and Watts LLC consisted of the following at June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 19,518,000	\$ -	\$ -	\$ 19,518,000
Total Non-Depreciable Capital Assets	<u>19,518,000</u>	<u>-</u>	<u>-</u>	<u>19,518,000</u>
Depreciable Capital Assets				
Buildings and Improvements	21,213,953	-	-	21,213,953
Total Depreciable Capital Assets	<u>21,213,953</u>	<u>-</u>	<u>-</u>	<u>21,213,953</u>
Total Capital Assets	40,731,953	-	-	40,731,953
Less Accumulated Depreciation	<u>(3,389,409)</u>	<u>(707,132)</u>	<u>-</u>	<u>(4,096,541)</u>
Capital Assets, Net	<u>\$ 37,342,544</u>	<u>\$ (707,132)</u>	<u>\$ -</u>	<u>\$ 36,635,412</u>

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

Consolidated Property and equipment consisted of the following at June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 19,518,000	\$ -	\$ -	\$ 19,518,000
Work in Progress	82,350	612,650	-	695,000
Total Non-Depreciable Capital Assets	<u>19,600,350</u>	<u>612,650</u>	<u>-</u>	<u>20,213,000</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	\$ 28,183,318	\$ 150,841	\$ -	\$ 28,334,159
Equipment, Furniture, and Fixtures	740,262	13,177	-	753,439
Total Depreciable Capital Assets	<u>28,923,580</u>	<u>164,018</u>	<u>-</u>	<u>29,087,598</u>
Total Capital Assets	48,523,930	776,668	-	49,300,598
Less Accumulated Depreciation	(7,522,712)	(1,090,861)	-	(8,613,573)
Capital Assets, Net	<u>\$ 41,001,218</u>	<u>\$ (314,193)</u>	<u>\$ -</u>	<u>\$ 40,687,025</u>

**H. Unearned Revenue**

At year end the School had performance obligations remaining to expend funds for multiple state programs. As such, unexpended cash received is reflected in unearned revenue.

The following table provides information about significant changes in unearned revenue for the year ended June 30, 2023:

	New Designs University Park	New Designs Watts	Total
Unearned Revenue, beginning of period	\$ 1,524,486	\$ 681,635	\$ 2,206,121
Increases in unearned revenue due to cash received during the period	1,421,594	776,588	2,198,182
Decreases in unearned revenue due to performance obligations met during the period	(865,075)	(375,767)	(1,240,842)
Unearned Revenue, end of period	<u>\$ 2,081,005</u>	<u>\$ 1,082,456</u>	<u>\$ 3,163,461</u>

As of June 30, 2023, unearned revenue consisted of the following:

	New Designs University Park	New Designs Watts	Total
<b>Federal Programs:</b>			
ESSER/GEER	\$ 157,251	\$ 195,243	\$ 352,494
Title III	633		
<b>State Programs:</b>			
Energy Consecration	-	35,235	35,235
A-G Learning Loss	234,029	204,969	438,998
Educator Effectiveness	161,096	70,752	231,848
Arts & Music	7,919	90,923	98,842
Learning Recovery	929,699	381,738	1,311,437
Kitchen Infrastructure	355,929	-	355,929
CCSPP	981	62,735	63,716
Ethnic Studies	10,406	6,162	16,568
Expanded Learning Opportunity	223,062	34,699	257,761
Total	<u>\$ 2,081,005</u>	<u>\$ 1,082,456</u>	<u>\$ 3,163,461</u>

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

**I. Operating Leases**

The School entered into lease agreements for the use of facilities and equipment. The components of lease expense were as follows:

	New Designs University Park	New Designs Watts
Operating lease cost		
Amortization of right-of-use assets	\$ 1,026,713	\$ 232,574
Interest on lease liabilities	1,471,397	303,151
Total operating lease cost	<u>2,498,110</u>	<u>535,725</u>
Short-term lease cost	<u>44,398</u>	<u>12,842</u>
Finance lease cost		
Amortization of right-of-use assets	-	-
Interest on lease liabilities	<u>-</u>	<u>-</u>
Total finance lease cost	<u>-</u>	<u>-</u>
Total lease expense	<u>\$ 2,542,508</u>	<u>\$ 548,567</u>

The following represents additional information related to the School's leases:

Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 37,369,939	\$ 7,709,662
Finance leases	-	-
Total	<u>\$ 37,369,939</u>	<u>\$ 7,709,662</u>
Weighted average remaining lease term:		
Operating leases	272.87 Months	249.61 Months
Finance leases	N/A	N/A
Weighted average discount rate:		
Operating leases	4.00%	4.00%
Finance leases	N/A	N/A

Future minimum lease payments on the School's leases are as follows:

Year Ended June 30,	New Designs University Park		New Designs Watts	
	Operating Leases	Financing Leases	Operating Leases	Financing Leases
2024	\$ 1,058,508	\$ -	\$ 239,174	\$ -
2025	1,102,409	-	245,876	-
2026	1,144,028	-	255,479	-
2027	1,185,872	-	265,441	-
2028	1,225,983	-	274,523	-
Thereafter	<u>30,629,016</u>	<u>-</u>	<u>6,196,191</u>	<u>-</u>
Total future minimum lease payments	36,345,816	-	7,476,684	-
Less imputed interest	<u>(19,164,248)</u>	<u>-</u>	<u>(3,549,916)</u>	<u>-</u>
Net future minimum lease payments	<u>\$ 17,181,568</u>	<u>\$ -</u>	<u>\$ 3,926,768</u>	<u>\$ -</u>

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

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**J. Bonds Payable**

On October 12, 2012, \$18,265,000 of California School Finance Authority Educational Facilities Revenue Bonds were issued to University Park and Watts LLC. The interest rate on the bonds range between 5.25% and 7.00%. The debt service requirements are primarily payable from rental income collected from New Designs Charter Schools.

On August 14, 2014, \$6,955,000 of California School Finance Authority Educational Facilities Revenue Bonds were issued to University Park and Watts LLC. The interest rate on the bonds range between 5.25% and 7.00%. The debt service requirements are primarily payable from rental income collected from New Designs Charter Schools.

On July 31, 2019, \$16,840,000 of California School Finance Authority Educational Facilities Revenue Bonds were issued to University Park and Watts LLC. The interest rate on the bonds range between 4.25% and 5.00%. The debt service requirements are primarily payable from rental income collected from New Designs Charter Schools.

Principal amount	\$ 38,425,000
Unamortized premium	<u>1,749,617</u>
	<u><u>\$ 40,174,617</u></u>

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	965,000	2,042,749	3,007,749
2025	1,015,000	1,993,625	3,008,625
2026	1,070,000	1,940,249	3,010,249
2027	1,125,000	1,883,988	3,008,988
2028	1,185,000	1,824,825	3,009,825
2029-33	6,920,000	8,121,849	15,041,849
2034-38	8,985,000	5,765,575	14,750,575
2039-43	10,325,000	3,333,875	13,658,875
2044-48	4,800,000	1,204,500	6,004,500
2049-50	2,035,000	153,750	2,188,750
	<u>\$ 38,425,000</u>	<u>\$ 28,264,985</u>	<u>\$ 66,689,985</u>



**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

**K. Net Assets With Donor Restrictions**

The New Designs Charter School Watts receives grants from federal and state agencies that are restricted for specific purposes. Once the restricted purpose has been fulfilled, the assets are released from restriction. At June 30, 2022, net assets were restricted for the following purposes:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>
Restricted for nutrition programs:		
National School Lunch Program	\$ 47,765	\$ 20,186
Total net assets with donor restrictions	<u>\$ 47,765</u>	<u>\$ 20,186</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2022.

	<u>New Designs University Park</u>	<u>New Designs Watts</u>
Beginning restricted net assets	\$ -	\$ 4
Restricted grants received	2,590,240	1,218,170
Net assets released from restriction:		
Restricted purpose satisfied	<u>(2,542,475)</u>	<u>(1,197,988)</u>
Ending restricted net assets	<u>\$ 47,765</u>	<u>\$ 20,186</u>

**L. Related Party Transaction**

Related parties as defined by generally accepted accounting standards include:

1. Affiliates of the entity,
2. Management and members of their immediate families, or
3. Other parties that can significantly influence management or operating policies

New Designs Charter Schools and University Park and Watts LLC are affiliated through common executive management. The LLC holds part of the building and debt on its books and facilitates the lease for the School.

The following represent related party accounts receivable at June 30, 2023:

<u>Affiliated Organization</u>	<u>Receivable</u>	<u>Purpose</u>	<u>Repayment Term</u>
University Park and Watts LLC	<u>\$ 275,266</u>	Rent	Due within 90 days
Total	<u>\$ 275,266</u>		

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

**M. Employee Retirement System**

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Schools choose to stop participating in some of its multi-employer plans, the Schools may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Schools participation in these plans for the fiscal year ended June 30, 2023, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2023, 2022 and 2021 is for the plan's year-end at June 30, 2023, 2022 and 2021, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

*Period to Period Comparability:*

New Designs Charter Schools increased in CalSTRS contributions from 2021 to 2022 by 2.62% followed by an increase in 2023 of 8.70%. New Designs Charter Schools increased in CalPERS contributions from 2021 to 2022 by 24.87% followed by an additional increase in 2023 of 10.65%. The periods for STRS are comparable to one another, and the changes in PERS appear to be caused by rising wages, contribution rates, and employment requirements.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status
		2023	2022	2021	Pending/ Implemented
CalSTRS - UP	19645	Green	Green	Yellow	No
CalSTRS - Watts	19646	Green	Green	Yellow	No
CalPERS - UP	3540816164	Yellow	Green	Yellow	No
CalPERS - Watts	1492319552	Yellow	Green	Yellow	No

  

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2023	2022	2021		
CalSTRS	\$ 823,600	\$ 757,711	\$ 738,336	65	No
CalPERS	660,386	596,815	477,951	43	No
Total	<u>\$ 1,483,986</u>	<u>\$ 1,354,526</u>	<u>\$ 1,216,287</u>	<u>108</u>	

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

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CalSTRS:

The School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level of percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2023, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 19.10% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2023, the State contributed \$429,392 (10.828% of certificated salaries) on behalf of the School.

CalPERS:

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022-23 was 25.37% of classified salaries. The School made contributions as noted above.

**New Designs Charter Schools**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2023

**N. Upcoming Changes in Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective over the next few fiscal years:

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill &amp; Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24
FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25
FASB Accounting Standards Update 2022-01 - <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i>	Mar-22	2024-25
FASB Accounting Standards Update 2022-02 - <i>Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i>	Mar-22	2023-24
FASB Accounting Standards Update 2022-03 - <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	Jun-22	2025-26
FASB Accounting Standards Update 2022-04 - <i>Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations</i>	Sep-22	2023-24
FASB Accounting Standards Update 2022-05 - <i>Financial Services - Insurance (Topic 944): Transition for Sold Contracts</i>	Dec-22	2025-26
FASB Accounting Standards Update 2023-01 - <i>Leases (Topic 842): Common Control Arrangements</i>	Mar-23	2024-25
FASB Accounting Standards Update 2023-02 - <i>Investments (Topic 323): Accounting for Investments in Tax Credit Structures</i>	Mar-23	2025-26
FASB Accounting Standards Update 2023-05 - <i>Business Combinations - Joint Venture Formations (Subtopic 805-60)</i>	Aug-23	2024-25

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the future fiscal years are not expected to impact the financial accounting or presentation for the School.

## Supplementary Information

**New Designs Charter Schools**  
Consolidating Statement of Financial Position  
June 30, 2023

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Home Office	Elimination	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 6,568,767	\$ 3,885,312	\$ -	\$ -	\$ -	\$ 10,454,079
Operating investments	-	-	4,025,784	-	-	4,025,784
Accounts receivable	2,725,767	799,773	-	-	-	3,525,540
Accounts receivable - related entities	456,939	471,522	275,266	373,744	(838,306)	739,165
Prepaid expenses	100,518	31,440	-	-	-	131,958
Security deposits	-	25,567	-	-	-	25,567
Other assets cost of issuance	-	-	1,443,125	-	-	1,443,125
Property and equipment, net	3,577,537	474,076	36,635,412	-	-	40,687,025
Right-of-use assets, operating leases						
Facilities and equipment	37,369,939	7,709,662	-	-	-	45,079,601
Accumulated amortization	(1,026,713)	(232,574)	-	-	-	(1,259,287)
Total Assets	<u>\$ 49,772,754</u>	<u>\$ 13,164,778</u>	<u>\$ 42,379,587</u>	<u>\$ 373,744</u>	<u>\$ (838,306)</u>	<u>\$ 104,852,557</u>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable - vendors	\$ 605,031	\$ 751,746	\$ 340,955	\$ 186,865	\$ -	\$ 1,884,597
Accounts payable - related entities	838,306	-	463,900	-	(838,306)	463,900
Accounts payable - grantor government	1,396,193	486,697	-	-	-	1,882,890
Accrued payroll liabilities	-	-	-	186,879	-	186,879
Unearned revenue	2,081,005	1,082,456	-	-	-	3,163,461
Leases payable	36,345,095	7,476,684	-	-	-	43,821,779
Bonds payable	-	-	40,174,617	-	-	40,174,617
Total Liabilities	<u>41,265,630</u>	<u>9,797,583</u>	<u>40,979,472</u>	<u>373,744</u>	<u>(838,306)</u>	<u>91,578,123</u>
<b>Net Assets</b>						
<b>Without donor restrictions</b>						
Undesignated	4,881,822	2,872,933	4,939,320	-	-	12,694,075
Invested in property and equipment, net of related debt	3,577,537	474,076	(3,539,205)	-	-	512,408
	<u>8,459,359</u>	<u>3,347,009</u>	<u>1,400,115</u>	<u>-</u>	<u>-</u>	<u>13,206,483</u>
<b>With donor restrictions</b>						
Restricted for nutrition programs	47,765	20,186	-	-	-	67,951
	<u>47,765</u>	<u>20,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,951</u>
Total Net Assets	<u>8,507,124</u>	<u>3,367,195</u>	<u>1,400,115</u>	<u>-</u>	<u>-</u>	<u>13,274,434</u>
Total Liabilities and Net Assets	<u>\$ 49,772,754</u>	<u>\$ 13,164,778</u>	<u>\$ 42,379,587</u>	<u>\$ 373,744</u>	<u>\$ (838,306)</u>	<u>\$ 104,852,557</u>

See Accompanying Notes to Supplementary Information

# New Designs Charter Schools

## Consolidating Statement of Activities

June 30, 2023

	New Designs University Park		New Designs Watts		University Park and Watts LLC	Home Office	Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	
<b>Revenue, Support, and Gains</b>								
Local Control Funding Formula (LCFF) sources								
State aid	\$ 6,570,097	\$ -	\$ 2,312,644	\$ -	\$ -	\$ -	\$ -	\$ 8,882,741
Education protection account state aid	622,324	-	200,132	-	-	-	-	822,456
Transfers in lieu of property taxes	2,518,557	-	840,694	-	-	-	-	3,359,251
Total LCFF sources	<u>9,710,978</u>	<u>-</u>	<u>3,353,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,064,448</u>
Federal contracts and grants	-	1,872,910	-	980,420	-	-	-	2,853,330
State contracts and grants	3,863,031	717,330	2,416,777	220,470	-	-	-	7,217,608
Local contracts and grants	92,348	-	-	1,644	5,232	-	-	99,224
Donations and fundraising	32,860	-	-	15,636	-	-	-	48,496
Rental income	-	-	-	-	3,318,079	-	(3,318,079)	-
Interest income	-	-	-	-	149,875	-	-	149,875
Net assets released from restriction -								
Grant restrictions satisfied	<u>2,542,475</u>	<u>(2,542,475)</u>	<u>1,197,988</u>	<u>(1,197,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>16,241,692</u>	<u>47,765</u>	<u>6,968,235</u>	<u>20,182</u>	<u>3,473,186</u>	<u>-</u>	<u>(3,318,079)</u>	<u>23,432,981</u>
<b>Expenses and Losses</b>								
Program services expense	11,507,304	-	5,071,550	-	718,632	-	(3,318,079)	13,979,407
Supporting services expense	4,761,350	-	1,553,110	-	1,946,517	-	-	8,260,977
Total expenses and losses	<u>16,268,654</u>	<u>-</u>	<u>6,624,660</u>	<u>-</u>	<u>2,665,149</u>	<u>-</u>	<u>(3,318,079)</u>	<u>22,240,384</u>
<b>Change in Net Assets</b>	(26,962)	47,765	343,575	20,182	808,037	-	-	1,192,597
<b>Net Assets, Beginning of Year</b>	<u>8,486,321</u>	<u>-</u>	<u>3,003,434</u>	<u>4</u>	<u>592,078</u>	<u>-</u>	<u>-</u>	<u>12,081,837</u>
<b>Net Assets, End of Year</b>	<u>\$ 8,459,359</u>	<u>\$ 47,765</u>	<u>\$ 3,347,009</u>	<u>\$ 20,186</u>	<u>\$ 1,400,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,274,434</u>

See Accompanying Notes to Supplementary Information

**New Designs Charter Schools**  
Consolidating Statement of Functional Expenses  
June 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	Educational Programs	Management and General	
Salaries and Wages	\$ 4,735,566	\$ 2,734,468	\$ 7,470,034
Pension expense	1,212,712	700,665	1,913,377
Other employee benefits	665,173	384,862	1,050,035
Payroll taxes	173,412	100,264	273,676
Fees for services:			
Management	-	476,921	476,921
Legal	-	232,562	232,562
Audit	-	25,300	25,300
Professional consulting	2,789,556	825,186	3,614,742
District oversight	-	122,408	122,408
Banking and service charges	-	31,699	31,699
Advertising and promotion	-	210,206	210,206
Office expenses	405,831	-	405,831
Information technology	89,710	-	89,710
Amortization	-	61,474	61,474
Occupancy	79,837	-	79,837
Travel	-	14,652	14,652
Conferences, conventions, and meetings	48,682	-	48,682
Debt service interest	-	1,907,034	1,907,034
Depreciation	1,090,861	-	1,090,861
Insurance	-	385,316	385,316
Other expenses:			
Books and supplies	2,183,992	-	2,183,992
Noncapitalized equipment	57,240	-	57,240
Special education encroachment	222,214	-	222,214
Student events	217,371	-	217,371
Miscellaneous	7,250	47,960	55,210
Total expenses by function	<u>\$ 13,979,407</u>	<u>\$ 8,260,977</u>	<u>\$ 22,240,384</u>

See Accompanying Notes to Supplementary Information



# New Designs Charter Schools

LEA Organization Structure

Year Ended June 30, 2023

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New Designs Charter School University Park, Charter #0601, began operations in 2003 under the authorizing district of Los Angeles Unified School District serving grades 6-12.

New Designs Charter School Watts, Charter #1120, began operations in 2009 under the authorizing district of Los Angeles Unified School District, serving grades 6-12.

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## GOVERNING BOARD

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<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Lloyd McKinney	President	Three Year Term Expires June 2025
Sheldon Zaslansky	Treasurer	Three Year Term Expires June 2025
Derek Akrofi	Secretary	Three Year Term Expires June 2025
Diego Abba	Member	Three Year Term Expires June 2025
Kojo Essien	Member	Three Year Term Expires June 2025

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## ADMINISTRATION

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Paul Okaiteye  
Chief Executive Office

Samuel Kyerematen  
Director of Business Services

**NEW DESIGNS CHARTER SCHOOLS**

Schedule of Average Daily Attendance

Year Ended June 30, 2023

**New Designs Charter School University Park**

	Second Period Report		Annual Report	
	Original 12F5B5DF	Revised N/A	Original F0DA5580	Revised N/A
<b>Classroom Based Attendance</b>				
Grades 4-6	79.77	N/A	79.61	N/A
Grades 7-8	212.41	N/A	211.07	N/A
Grades 9-12	398.39	N/A	397.04	N/A
<b>Total Classroom Based Attendance</b>	<b>690.57</b>	<b>N/A</b>	<b>687.72</b>	<b>N/A</b>
<b>Non-Classroom Based Attendance</b>				
Grades 4-6	0.14	N/A	0.11	N/A
Grades 7-8	0.83	N/A	0.63	N/A
<b>Total Non-Classroom Based Attendance</b>	<b>0.97</b>	<b>N/A</b>	<b>0.74</b>	<b>N/A</b>
<b>Total ADA</b>	<b>691.54</b>	<b>N/A</b>	<b>688.46</b>	<b>N/A</b>

**New Designs Charter School Watts**

	Second Period Report		Annual Report	
	Original 860C8ADB	Revised N/A	Original B4E89F66	Revised N/A
<b>Classroom Based Attendance</b>				
Grades 4-6	9.80	N/A	8.80	N/A
Grades 7-8	47.38	N/A	45.09	N/A
Grades 9-12	171.50	N/A	158.81	N/A
<b>Total Classroom Based Attendance</b>	<b>228.68</b>	<b>N/A</b>	<b>212.70</b>	<b>N/A</b>
<b>Non-Classroom Based Attendance</b>				
Grades 4-6	1.00	N/A	1.00	N/A
Grades 7-8	4.76	N/A	4.82	N/A
Grades 9-12	11.18	N/A	13.47	N/A
<b>Total Non-Classroom Based Attendance</b>	<b>16.94</b>	<b>N/A</b>	<b>19.29</b>	<b>N/A</b>
<b>Total ADA</b>	<b>245.62</b>	<b>N/A</b>	<b>231.99</b>	<b>N/A</b>

N/A – There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

## New Designs Charter Schools

Schedule of Instructional Time

Year Ended June 30, 2023

### New Designs Charter School University Park

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
6th Grade	54,000	67,485	0	67,485	180	0	180	Complied
7th Grade	54,000	67,320	0	67,320	180	0	180	Complied
8th Grade	54,000	67,320	0	67,320	180	0	180	Complied
9th Grade	64,800	67,140	0	67,140	180	0	180	Complied
10th Grade	64,800	67,140	0	67,140	180	0	180	Complied
11th Grade	64,800	67,140	0	67,140	180	0	180	Complied
12th Grade	64,800	67,140	0	67,140	180	0	180	Complied

### New Designs Charter School Watts

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
6th Grade	54,000	65,520	0	65,520	180	0	180	Complied
7th Grade	54,000	65,520	0	65,520	180	0	180	Complied
8th Grade	54,000	65,520	0	65,520	180	0	180	Complied
9th Grade	64,800	65,520	0	65,520	180	0	180	Complied
10th Grade	64,800	65,520	0	65,520	180	0	180	Complied
11th Grade	64,800	65,520	0	65,520	180	0	180	Complied
12th Grade	64,800	65,520	0	65,520	180	0	180	Complied

N/A – The School operates as a non-classroom based charter school. The requirements to audit annual minutes do not apply to non-classroom based charter schools.

See Accompanying Notes to Supplementary Information

**New Designs Charter Schools**  
Schedule of Financial Trends & Analysis  
Year Ended June 30, 2023

**New Designs Charter School University Park**

	Budget 2024	2023	2022	2021
Revenues	\$ 14,674,105	\$ 16,289,457	\$ 15,582,664	\$ 14,021,558
Expenses	14,424,818	16,268,654	15,241,685	12,387,268
Change in Net Assets	<u>249,287</u>	<u>20,803</u>	<u>340,979</u>	<u>1,634,290</u>
Ending Net Assets	<u>\$ 8,756,411</u>	<u>\$ 8,507,124</u>	<u>\$ 8,486,321</u>	<u>\$ 8,145,342</u>
Unrestricted Net Assets	<u>\$ 6,031,344</u>	<u>\$ 8,459,359</u>	<u>\$ 8,486,321</u>	<u>\$ 8,007,293</u>
Unrestricted net assets as a percentage of total expenses	<u>41.81%</u>	<u>52.00%</u>	<u>55.68%</u>	<u>64.64%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>774</u>	<u>692</u>	<u>722</u>	<u>847</u>

The School's ending net assets has increased by \$568,446 (6.98%) over the past two fiscal years. The increase is in large due to additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

Average daily attendance (ADA) has decreased by 155 over the past two years. As a result of the COVID-19 pandemic there was no reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2023-24 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$249,287 and ADA is projected to be 774 for the 2023-24 fiscal year.

**New Designs Charter Schools**  
Schedule of Financial Trends & Analysis (Continued)  
Year Ended June 30, 2023

**New Designs Charter School Watts**

	Budget 2024	2023	2022	2021
Revenues	\$ 5,536,151	\$ 6,988,417	\$ 6,741,664	\$ 6,455,254
Expenses	5,485,837	6,624,660	6,888,806	5,544,838
Change in Net Assets	50,314	363,757	(147,142)	910,416
Ending Net Assets	<u>\$ 3,417,509</u>	<u>\$ 3,367,195</u>	<u>\$ 3,003,438</u>	<u>\$ 3,150,580</u>
Unrestricted Net Assets	<u>\$ 2,884,939</u>	<u>\$ 3,347,009</u>	<u>\$ 3,003,434</u>	<u>\$ 3,047,604</u>
Unrestricted net assets as a percentage of total expenses	<u>52.59%</u>	<u>50.52%</u>	<u>43.60%</u>	<u>54.96%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>253</u>	<u>246</u>	<u>273</u>	<u>397</u>

The School's ending net assets has increased by \$260,598 (8.27%) over the past two fiscal years. The increase is in large due to additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

Average daily attendance (ADA) has decreased by 151 over the past two years. As a result of the COVID-19 pandemic there was no reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2023-24 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$50,314 and ADA is projected to be 253 for the 2023-24 fiscal year.

## New Designs Charter Schools

### Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2023

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#### New Designs Charter School University Park

June 30, 2023 annual financial alternative form net assets:	\$ 8,507,127
Adjustments and reclassifications:	
Rounding	<u>(3)</u>
Total adjustments and reclassifications	<u>(3)</u>
June 30, 2023 audited financial statements net assets:	<u><u>\$ 8,507,124</u></u>

#### New Designs Charter School Watts

June 30, 2023 annual financial alternative form net assets:	\$ 3,367,192
Adjustments and reclassifications:	
Rounding	<u>3</u>
Total adjustments and reclassifications	<u>3</u>
June 30, 2023 audited financial statements net assets:	<u><u>\$ 3,367,195</u></u>

# New Designs Charter Schools

Notes to Supplementary Information

Year Ended June 30, 2023

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## A. Purpose of Schedules

### Consolidating Statement of Financial Position

This schedule provides the information which consolidates the School's overall statement of net position, with eliminations for activities between the School and the LLC.

### Combining Statement of Activities

This schedule provides the information by subdivision which combines into the School's overall statement of activities.

### Combining Statement of Functional Expenses

This schedule provides the information by subdivision which combines into the School's overall statement of functional expenses.

### LEA Organization Structure

This schedule provides information about the School's charter number, district of authorization, members of the governing board, and members of administration.

### Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure of the number of pupils attending classes of the School. 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 and in different programs.

### Schedule of Instructional Time

This schedule provides information regarding compliance with Education Code §47612.

Compliance with Education Code §47612 includes the following:

- 1) Charter schools may operate up to 5 tracks for attendance reporting.
- 2) Each track must be operated for a minimum of 175 days.
- 3) Each track must offer the required number of instructional minutes specified in Education Code §47612.5.
- 4) No track shall have less than 55% of its school days before April 15 each school year.

Compliance with Education Code §47612 involves offering a minimum number of annual instructional minutes as defined by grade level. Non-classroom based charters do not have a requirement for auditing/testing offered instructional minutes, as a result the offerings are not reported in the schedule of instructional time.

An LEA that closed due to a qualifying emergency in the 2022-23 fiscal year may submit a Form J-13A to avoid a penalty for not meeting the annual instructional day requirements. The School did not have an emergency closure and as such there are no credited days to account for on the Schedule of Instructional Time.

**New Designs Charter Schools**  
Notes to Supplementary Information (Continued)  
Year Ended June 30, 2023

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Schedule of Financial Trends & Analysis

This schedule displays summarized information from the current year and two previous years, along with budget information for the upcoming year. The information from this schedule is used to evaluate whether there are any financial indicators the School will not be able to continue operations in the next fiscal year. Based upon the information presented, the School appears to have sufficient reserves to continue operations for the 2023-24 fiscal year.

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

This schedule provides information necessary to reconcile between the audited financial statements and the financial data submitted to the sponsoring school district via the unaudited actual financial report.



**New Designs Charter Schools**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Federal Expenditures
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
U.S. Department of Education				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	\$ -	\$ 243,670
Total Special Education (IDEA) Cluster			<u>-</u>	<u>243,670</u>
<b>CHILD NUTRITION CLUSTER:</b>				
U.S. Department of Agriculture				
Passed through State Department of Education				
School Breakfast Program	10.553	13525	-	888,835
Total Child Nutrition Cluster			<u>-</u>	<u>888,835</u>
<b>OTHER PROGRAMS</b>				
U.S. Department of Education				
Passed through State Department of Education				
Title I	84.010	14329	\$ -	\$ 454,804
Title III	84.365	14346	-	19,971
Title II	84.367	14341	-	38,065
Title IV	84.424	15396	-	39,283
ESSER II State Reserve	84.425	15618	-	145,601
GEER II	84.425	15919	-	33,417
ESSER III State Reserve Emergency Needs	84.425	15620	-	94,916
ESSER III State Reserve Learning Loss	84.425	15621	-	123,229
ESSER III	84.425D	15559		205,250
ESSER III - Learning Loss	84.425U	10155		566,289
Total Passed through State Department of Education			<u>-</u>	<u>1,720,825</u>
Total U.S. Department of Education			<u>-</u>	<u>1,964,495</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 2,853,330</u>

# New Designs Charter Schools

## Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

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### Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

### Summary of Significant Accounting Policies

The expenditures reported on the schedule 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The Organization did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. No programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the Organization. The School did not charge indirect costs to federal programs.

## Other Independent Auditor's Reports

Independent Auditor's 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*

To the Board of Directors  
New Designs Charter Schools

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 New Designs Charter Schools (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related Notes to the Consolidated Financial Statements, and have issued our report thereon dated December 14, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New Designs Charter Schools' 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 New Designs Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of New Designs Charter Schools' 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 were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether New Designs Charter Schools' 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California  
December 14, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and  
on Internal Control Over Compliance Required by the *Uniform Guidance*

To the Board of Directors  
New Designs Charter Schools

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

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

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

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Designs Charter Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *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 New Designs Charter Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 New Designs Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Designs Charter Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of New Designs Charter Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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

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

El Cajon, California  
December 14, 2023

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

To the Board of Directors  
New Designs Charter Schools

**Report on Compliance for Applicable State Programs**

**Opinion on Each Applicable State Program**

We have audited New Designs Charter Schools' compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 applicable to the New Designs Charter Schools' statutory requirements identified below for the year ended June 30, 2023.

In our opinion, New Designs Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its applicable state programs for the year ended June 30, 2023.

**Basis for Opinion on Each Applicable State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Designs Charter Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide 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 New Designs Charter Schools' compliance with the requirements of each applicable state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide, 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 New Designs Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Designs Charter Schools' internal control over state 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 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of New Designs Charter Schools' internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the New Designs Charter Schools' compliance with the state laws and regulations applicable to the following items:

The term N/A is used above to mean either the School did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

	Procedures Performed	
	New Designs University	New Designs Watts
<u>School Districts, County Offices of Education, and Charter Schools</u>		
T. California Clean Energy Jobs Act.....	Yes	Yes
U. After/Before School Education and Safety Program.....	Yes	Yes
V. Proper Expenditure of Education Protection Account Funds.....	Yes	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes	Yes
X. Local Control and Accountability Plan.....	Yes	Yes
Y. Independent Study - Course Based.....	N/A	N/A
Z. Immunizations.....	Yes	Yes
AZ. Educator Effectiveness.....	Yes	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G).....	Yes	Yes
CZ. Career Technical Education Incentive Grant.....	Yes	Yes
EZ. Transitional Kindergarten.....	N/A	N/A
<u>Charter Schools</u>		
AA. Attendance.....	Yes	Yes
BB. Mode of Instruction.....	Yes	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	Yes	Yes
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes	Yes
FF. Charter School Facility Grant Program.....	Yes	Yes

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

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

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

El Cajon, California  
December 14, 2023

## Auditor's Results, Findings & Recommendations

# New Designs Charter Schools

Schedule of Auditor's Results

Year Ended June 30, 2023

## FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
One or more material weakness(es) identified?	_____ Yes <u>  X  </u> No
One or more significant deficiencies identified that are not considered material weakness(es)?	_____ Yes <u>  X  </u> No
Noncompliance material to financial statements noted?	_____ Yes <u>  X  </u> No

## FEDERAL AWARDS

Internal control over major programs:	
One or more material weakness(es) identified?	_____ Yes <u>  X  </u> No
One or more significant deficiencies identified that are not considered material weakness(es)?	_____ Yes <u>  X  </u> No
Type of auditor's report issued on compliance for major programs:	Unmodified
Compliance supplement utilized for single audit	May 2023
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	_____ Yes <u>  X  </u> No

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	_____ Yes <u>  X  </u> No

## STATE PROGRAMS

Type of auditor's report issued on compliance for state programs:	Unmodified
Internal control over applicable state programs:	
One or more material weakness(es) identified?	_____ Yes <u>  X  </u> No
One or more significant deficiencies identified that are not considered material weakness(es)?	_____ Yes <u>  X  </u> No
Any audit findings disclosed that are required to be reported in accordance with <i>2022-23 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting?</i>	_____ Yes <u>  X  </u> No

**New Designs Charter Schools**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2023

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Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the *2022-23 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting* (the Audit Guide). Finding codes as identified in the Audit Guide are as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
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

**A. Financial Statement Findings**

None

**B. Federal Award Findings**

None

**C. State Award Findings**

None

# New Designs Charter Schools

## Schedule of Prior Year Audit Findings

Year Ended June 30, 2023

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<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
There were no findings in the prior year audit.	N/A	N/A