

**NEW DESIGNS CHARTER SCHOOL WATTS**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2016**

**NEW DESIGNS CHARTER SCHOOL WATTS**

**INTRODUCTORY SECTION**

**JUNE 30, 2016**

**NEW DESIGNS CHARTER SCHOOL WATTS**  
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**JUNE 30, 2016**

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**NEW DESIGNS CHARTER SCHOOL WATTS**

**FINANCIAL SECTION**

**JUNE 30, 2016**

**MATTHEW LEMAS**  
**CPA & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
New Designs Charter School Watts  
Los Angeles, California

**Report on the Financial Statements**

I have audited the accompanying statement of financial position of New Designs Charter School Watts (a nonprofit organization) as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

### **Auditor's Responsibility (Continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Designs Charter School Watts as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

### **Required Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements of New Designs Charter School Watts taken as a whole. The supplementary information listed in the table of contents (Organization, Schedule of Average Daily Attendance, Schedule of Instructional Time, and the Statement of Functional Expenses), is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements and certain other 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 12, 2016 on my consideration of the New Designs Charter School Watts' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Charter's internal control over financial reporting and compliance.



San Diego, California  
December 12, 2016

**NEW DESIGNS CHARTER SCHOOL WATTS  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016**

**ASSETS**

**Current Assets**

Cash (Note 3)	\$ 924,553
Accounts Receivable (Note 4)	652,044
Deposits and Prepaid Expenses	146,547
Other Current Assets	<u>11,812</u>

Total Current Assets	<u>1,734,956</u>
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**Fixed Assets**

Property and Equipment (Net of Depreciation) (Note 10)	<u>424,507</u>
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Total Fixed Assets	<u>424,507</u>
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<b>TOTAL ASSETS</b>	<b><u><u>2,159,463</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	175,133
Accrued Liabilities	153,577
Loans Payable - Cam (Note 14)	339,318
Related Party Payable (Note 15)	846,940
Deferred Revenue	<u>119,395</u>

Total Current Liabilities	<u>1,634,363</u>
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**Long-Term Liabilities**

Total Long-Term Liabilities	<u>-</u>
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Total Liabilities	<u>1,634,363</u>
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**Net Assets**

Unrestricted	<u>525,100</u>
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Total Net Assets	<u>525,100</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 2,159,463</u></u></b>
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The notes to the financial statements are an integral part of the statement.



**NEW DESIGNS CHARTER SCHOOL WATTS**  
**STATEMENT OF FINANCIAL ACTIVITES**  
**JUNE 30, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support</b>			
State Aid Current Year	\$ 2,389,839	\$ -	\$ 2,389,839
Education Protection Account State Aid	567,384	-	567,384
State Aid (Prior Years)	(14,181)	-	(14,181)
In Lieu Property Taxes	764,353	-	764,353
In Lieu Property Taxes(Prior Years)	12,541	-	12,541
Federal Revenues	-	259,439	259,439
Other State Revenue	363,025	584,081	947,106
Other Local Revenues	8,293		8,293
<b>Total Support</b>	<b>4,091,254</b>	<b>843,520</b>	<b>4,934,774</b>
<b>Expenses</b>			
Program Services- Education	2,748,624	843,520	3,592,144
Support Services- Management and General	837,350	-	837,350
<b>Total Expenses</b>	<b>3,585,974</b>	<b>843,520</b>	<b>4,429,494</b>
			-
Increase Change in Unrestricted Net Assets	505,280	-	505,280
Change in Net Assets	505,280	-	505,280
Net Assets - Beginning Balance July 1, 2015	(113,156)	-	(113,156)
Prior Period Adjustment (Note 16)	132,977	-	132,977
<b>Net Assets - Ending June 30, 2016</b>	<b>\$ 525,100</b>	<b>\$ -</b>	<b>\$ 525,100</b>

The notes to the financial statements are an integral part of the statement.

**NEW DESIGNS CHARTER SCHOOL WATTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Cash Flows from Operating Activities**

Increase Change in Net Assets	\$ 505,280
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:	
(Increase) Decrease In Operating Assets:	
Depreciation	78,000
Accounts Receivable	(378,709)
Deposits and Prepaid Expenses	(31,020)
Intercompany Receivable	506,967
Other Current Assets	12,500
Increase (Decrease) In Operating Liabilities:	
Accounts Payable	122,048
Unearned Revenue	(80,319)
Advances on Program Income	(341,143)
Accrued Liabilities	134,499
<b>Net Cash Provided by Operating Activities</b>	<b><u>528,103</u></b>

**Cash Flows from Investing Activities**

Purchase of Property and Equipment	<u>-</u>
<b>Net Cash Provided(Used) by Investing Activities</b>	<b><u>-</u></b>

**Cash Flows from Financing Activities**

Payoff of State-Revolving Loan	(9,326)
Increase in Unrestricted Fund Balance - Prior Period Adjustment	132,977
<b>Net Cash Provided by Financing Activities</b>	<b><u>123,651</u></b>

Net Increase in Cash	651,754
Cash - Beginning	<u>272,799</u>
<b>Cash - Ending</b>	<b><u><u>\$ 924,553</u></u></b>

Cash paid for interest \$ 46,730.

The notes to the financial statements are an integral part of the statement.

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of accounting policies and other necessary disclosure of pertinent matters relating to financial position and results of operations of New Designs Charter School Watts (the Organization). The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

**NOTE 1 - ORGANIZATION**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Basis of Accounting
- B. Basis of Presentation
- C. Estimates
- D. Fixed Assets
- E. Deferred Revenue
- F. Income Taxes
- G. Functional Allocation of Expenses
- H. Cash

**NOTE 3 - CASH AND CASH EQUIVALENTS**

- A. Cash in County Treasury
- B. Cash in Banks

**NOTE 4 - ACCOUNTS RECEIVABLE**

**NOTE 5 - CLASSIFICATION OF ITEMS**

**NOTE 6 - POST-EMPLOYMENT BENEFITS**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS**

**NOTE 8 - LEASES**

**NOTE 9 - DONATED ASSETS**

**NOTE 10 - PROPERTY AND EQUIPMENT**

**NOTE 11 - SUBSEQUENT EVENTS**

**NEW DESIGNS CHARTER SCHOOL WATTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 12 - EXCESS EXPENDITURES OVER APPROPRIATIONS**

**NOTE 13 - OPEN TAX YEARS**

**NOTE 14 - LOANS PAYABLE - CAM**

**NOTE 15 - RELATED PARTY PAYABLE**

**NOTE 16 - PRIOR PERIOD ADJUSTMENT**

**NEW DESIGNS CHARTER SCHOOL WATTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 - ORGANIZATION**

New Designs Charter School Watts (the Organization) is a non-profit public benefit corporation. The Organization petitioned and was approved through the Los Angeles Unified School District for a five year period on July 1, 2009 and ending on June 30, 2014, which was renewed through 2019.

The Organization commenced operations during the 2009-2010 fiscal year and currently serves about 479 students in grades 6 – 12.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The Organization maintains its financial records using the accrual method of accounting under which income is recognized when earned and expenses are recognized when the obligation is incurred.

**B. Basis of Presentation**

The Organization, in accordance with Accounting Standards Codification (ASC) 958-205, Not-For-Profit Entities - Presentation of Financial Statements, is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2016, the Organization does not have any temporarily restricted net assets or permanently restricted net assets. It is also required to present a statement of cash flows.

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Estimates**

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

**D. Fixed Assets**

Fixed assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Management has elected to capitalize and depreciate all assets costing \$ 5,000 or more; all other assets are charged to expense in the year incurred. For additional information, see Note 10.

**E. Deferred Revenue**

Deferred revenue represents federal and state contract funds received, but not expended. These funds must be expended in accordance with the provisions of the contract to which they apply or refunded if not expended under the terms of the contract. The Organization has deferred revenue at June 30, 2016 of \$119,395.

**F. Income Taxes**

The Organization is exempt from income taxes under Internal Revenue Code Section (IRC §) 501(c) (3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose.

**G. Functional Allocation of Expenses**

The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and management's estimates of the usage of resources.

**NEW DESIGNS CHARTER SCHOOL WATTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Cash**

For purposes of the Statement of Cash Flows, the Organization considers all cash on hand and in banks.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

**A. Cash in County Treasury**

The Organization maintains a portion of its cash in the County Treasury as part of the common investment pool (\$ 0 as of June 30, 2016). The fair value of the Organization's portion of this pool as of that date, as provided by the pool sponsor, was \$ 0. Assumptions made determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

**B. Cash in Banks**

Cash at June 30, 2016 consisted of the following:

**Pooled Funds:**

Cash in County Treasury	\$ -
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**Deposits:**

Checking - Broadway Federal Bank	923,803
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Petty Cash Fund	<u>750</u>
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<b>Total Cash in Banks and on Hand:</b>	<b><u><u>\$ 924,553</u></u></b>
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Cash balances held in banks and/or credit unions and in revolving funds are insured up to \$ 250,000 by federal agencies. The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. At June 30, 2016, the Organization had \$ 674,553 in uninsured funds.

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

**NOTE 4 - ACCOUNTS RECEIVABLE**

As of June 30, 2016, the accounts receivable were as follows:

	<u><b>June 30, 2016</b></u>
State Apportionments	293,440
Federal Revenues	274
State Revenues	346,371
Pers/STRS	<u>11,959</u>
<b>Total</b>	<u><b>\$ 652,044</b></u>

**NOTE 5 - CLASSIFICATION OF ITEMS**

Certain items may have been classified differently from one year to another.

**NOTE 6 - POST-EMPLOYMENT BENEFITS**

For the year ended June 30, 2016, the Organization did not provide for any post-employment benefits.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS**

**Plan Description and Funding Policy**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS). The Organization also covers classified staff under the California Public Employees' Retirement System (CalPERS).

**STRS**

The Organization contributes to the State Teachers' Retirement Systems (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries.



**NEW DESIGNS CHARTER SCHOOL WATTS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

**STRS (Continued)**

Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, and Sacramento, California 95826.

**STRS Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015-2016 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contribution to STRS for the fiscal years ending June 30, 2016, and 2015 was \$ 97,893 and \$ 104,581 respectively, and equals 100% of the required contributions for each fiscal year.

**California Public Employee's Retirement System (CalPERS)**

**Plan Description**

The Organization 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, within the Public Employees' Retirement Laws. 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, CA 95811.

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

**Funding Policy**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of 50% of normal costs or 6% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The Organization 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 2015-16 was 11.22% of annual payroll. The Organization contributed \$43,773 for the 2016 year, which was 100% of their required contribution.

**NOTE 8 - LEASES**

**Operating Leases**

The Organization leases a facility under a 20 year lease agreement with an option to renew at the end of the lease term. The organization also leases a parking lot and copy machine under a monthly lease agreement. These future minimum lease payments are as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Lease Payments</u></b>
2017	\$ 539,617
2018	537,621
2019	537,715
2020	540,865
2021 - 2025	2,699,127
2026 - 2030	2,702,347
2031 - 2034	<u>2,160,104</u>
<b>Total</b>	<b><u>\$ 9,717,396</u></b>

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

**NOTE 8 – LEASES (CONTINUED)**

The Organization receives no sublease rental revenues or pays any contingent rentals associated with these leases. For the year ended June 30, 2016, operating lease expense was \$ 561,296.

**Capital Leases**

The Organization does not have any capital lease arrangements.

**NOTE 9 - DONATED ASSETS**

The Organization received donated used assets consisting of computers, office furniture, classroom furniture, visual equipment, and various other sundry supplies. The used assets are not reflected on the financial statements due to the immateriality of the amounts.

**NOTE 10 - PROPERTY AND EQUIPMENT**

Property and Equipment at year ended June 30, 2016 consist of the following:

Building and Improvements	\$ 867,150
Furniture and Equipment	163,981
Less: Accumulated Depreciation	<u>(606,624)</u>
<b>Total Property and Equipment, Net of Depreciation</b>	<b><u><u>\$ 424,507</u></u></b>

**NOTE 11 - SUBSEQUENT EVENTS**

Events subsequent to June 30, 2016 have been evaluated through December 12, 2016, the date at which the Organization's audited financial statements were available to be issued. Subsequent to June 30, 2016, the Organization noted no material reportable subsequent events.

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

**NOTE 12 - EXCESS EXPENDITURES OVER APPROPRIATIONS**

The Organization had the following excess expenditures over appropriations for the year ended June 30, 2016.

<u>Categories</u>	<u>Amounts</u>
Books & Supplies	\$ (36,385)

**NOTE 13 - OPEN TAX YEARS**

There are no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2016.

The Organization files form 990 in the U.S. federal jurisdiction and form 199 in the State of California. The Organization's federal and state returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal income tax returns have a three year statute of limitations, and the state income tax returns have a four year statute of limitations.

**NOTE 14 – LOANS PAYABLE - CAM**

During the year, the organization entered into a factoring agreement with Charter Asset Management Fund, LP (CAM) to receive discounted advanced funds by selling their accounts receivable from the State of California. The School's apportionment payments are sent directly to CAM. Amounts previously advanced to the organization have been reduced to reflect the factoring service fee charged by CAM. These accounts receivable from the State and the liability to CAM have been recorded in the financial statements. At June 20, 2016, the Organization owed \$339,318 to CAM.

**NEW DESIGNS CHARTER SCHOOL WATTS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 15 – RELATED PARTY PAYABLE**

The Organization makes payments to a related party, New Designs Charter School. New Designs Charter School is a related party because they have the same board of directors and share management personnel.

Payables to related parties as of June 30, 2016 are as follows:

New Designs Charter School	\$ 846,940
<b>Total Related Party Payable</b>	<b><u>\$ 846,940</u></b>

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

At June 30, 2016 the organization has categorized previous beginning balance adjustments that could not be verified during our audit. It was determined that these adjustments should be removed; resulting in an increase of \$ 113,156 in the ending unrestricted fund balance.

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**SUPPLEMENTARY INFORMATION SECTION**  
**JUNE 30, 2016**

**NEW DESIGNS CHARTER SCHOOL WATTS  
ORGANIZATION  
JUNE 30, 2016**

The Board of Trustees for the fiscal year ended June 30, 2016 was composed of the following members:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Andrea Cockrum	Board President	June 30, 2019
Lloyd McKinney	Vice President	June 30, 2019
Sheldon Zaslansky	Treasurer	June 30, 2019
Derek Akrofi	Secretary	June 30, 2019
Kojo Essien	Member	June 30, 2019
Diego Abba	Member	June 30, 2019
Edna Marroquin	Member	June 30, 2019

New Designs Charter School received it's charter from the Los Angeles Unified School District in 2009. There were no boundary changes during the year. The Charter oserved students in grades 6-12.

Management Team

Dr. Yaw Adutwim, CEO

Dr. Joseph Ntung, Principal

Paul Okaiteye, Director of Business Services

Charter Number

1120

**NEW DESIGNS CHARTER SCHOOL WATTS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
JUNE 30, 2016**

	<u>Second Period Report</u> <u>Classroom Based</u>	<u>Annual Report</u> <u>Classroom Based</u>
Grade 6	63.78	62.62
Grades 7 - 8	143.94	142.16
Grades 9 - 12	<u>187.99</u>	<u>183.87</u>
Total New Designs Charter School Watts	<u><u>395.71</u></u>	<u><u>388.65</u></u>

The Organization is 100% classroom-based and generates no ADA from a full-time independent study program.



**NEW DESIGNS CHARTER SCHOOL WATTS  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Grade Level</u>	<u>2015-2016 Required Minutes</u>	<u>2015-2016 Actual Minutes</u>	<u>Traditional Actual days</u>	<u>Status</u>
Grade 6	52,457	72,960	179	In Compliance
Grade 7	52,457	72,960	179	In Compliance
Grade 8	52,457	70,960	179	In Compliance
Grade 9	62,949	72,605	179	In Compliance
Grade 10	62,949	72,605	179	In Compliance
Grade 11	62,949	72,605	179	In Compliance
Grade 12	62,949	72,605	179	In Compliance

**NEW DESIGNS CHARTER SCHOOL WATTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Support Services	
	Education	Management and General	Fundraising
Compensation and Related Expenses			Total
Salaries - Certificated	\$ 922,388	\$ 182,771	\$ 1,105,159
Salaries - Classified	403,181	79,837	483,018
Employee Benefits	366,886	72,701	439,587
<b>Total Compensation and Related Expenses</b>	<b>1,692,455</b>	<b>335,309</b>	<b>2,027,764</b>
Books and Supplies	147,237	28,045	175,282
Dues and Memberships	83	17	100
Insurance	50,845	10,098	60,943
Operation and Housekeeping Services	84,307	16,744	101,051
Rental, Leases, Repairs, and Non-Capitalized Equipment	571,519	113,509	685,028
Depreciation and Amortization	-	78,000	78,000
Communications	21,651	4,124	25,775
Professional/Consulting Services			
Operating Expenditures	1,024,047	204,774	1,228,821
Interest, Long-Term Debt	-	46,730	46,730
<b>TOTAL</b>	<b>\$ 3,592,144</b>	<b>\$ 837,350</b>	<b>\$ 4,429,494</b>

The notes to the financial statements are an integral part of the statement.

**NEW DESIGNS CHARTER SCHOOL WATTS  
RECONCILIATION OF SACS REPORT TO AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>June 30, 2016 Ending Fund Balance Per SACS Report</b>	<b>\$ 367,503</b>
Adjustments to Reconcile Change in Ending Fund Balance:	
(Increase) Decrease In Operating Assets:	
Cash	233,146
Accounts Receivable	(3,443)
Deposits & Prepaid Expenses	(99,158)
Related Party Receivables	100,000
Increase (Decrease) In Operating Liabilities:	
Accounts Payable	(77,588)
Unearned Revenue	(41,341)
Advances on Program Income	5,774
Accrued Liabilities	(92,770)
Prior Period Adjustment	132,977
	<hr/>
<b>June 30, 2016 Ending Fund Balance Per Audit</b>	<b><u><u>\$ 525,100</u></u></b>

**NEW DESIGNS CHARTER SCHOOL WATTS**  
**OTHER INDEPENDENT AUDITOR'S REPORTS SECTION**  
**JUNE 30, 2016**

**MATTHEW LEMAS**  
**CPA & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

4275 Executive Square, Suite 200, La Jolla, CA 92037 | Tel 858.260.5236 | Fax 309.410.4146

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

Board of Directors  
New Designs Charter School Watts  
Los Angeles, California

I have audited the financial statements of New Designs Charter School Watts (the Organization) as of and for the year ended June 30, 2016, and have issued my report thereon dated December 12, 2016. I conducted my 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.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report on internal control over financial reporting and 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 *Government Auditing Standards* and is intended solely for the information and use of the Board, management, the Los Angeles County Office of Education, the State Board of Education, the California Department of Education, and the State Controller's Office and federal awarding agencies and pass-through entities. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 12, 2016

**MATTHEW LEMAS**  
**CPA & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

4275 Executive Square, Suite 200, La Jolla, CA 92037 | Tel 858.260.5236 | Fax 309.410.4146

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Directors  
New Designs Charter School Watts  
Los Angeles, California

**Report on State Compliance**

I have audited the compliance of New Designs Charter School Watts (the Organization) with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the Education Audit Appeals Panel that could have a direct and material effect on each of New Designs Charter School Watts' state programs for the fiscal year ended June 30, 2016, as identified below.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of New Designs Charter School Watts' state programs based on my audit of the types of compliance requirements referred to above.

I conducted my audit 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 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the Education Audit Appeals Panel. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below that could have a direct and material effect on the state programs noted below has occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of the Organization's compliance with those requirements.

### **Opinion on State Compliance**

In my opinion, New Designs Charter School Watts complied, in all material respects, with the types of compliance requirements referred to above that are applicable to state programs noted in the table below for the year ended June 30, 2016.

### **Procedures Performed**

In connection with the audit referred to above, I selected and tested transactions and records to determine New Designs Charter School Watts' compliance with the state laws and regulations applicable to the following items:

<b>Description</b>	<b>Procedures Performed</b>
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Founts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No
Immunizations	Yes
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No
Determination of Funding for Nonclassroom -Based Instruction	No
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes



San Diego, California  
December 12, 2016



**NEW DESIGNS CHARTER SCHOOL WATTS**  
**FINDINGS AND RECOMMENDATIONS SECTION**

**JUNE 30, 2016**

**NEW DESIGNS CHARTER SCHOOL WATTS  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2016**

My study and evaluation did not disclose any material weaknesses in the Organization.

**NEW DESIGNS CHARTER SCHOOL WATTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

<b><u>Findings/Recommendations</u></b>	<b><u>Current Status</u></b>	<b><u>Explanation If Not Implemented</u></b>
NONE	N/A	N/A