

**NEW DESIGNS CHARTER SCHOOL**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NEW DESIGNS CHARTER SCHOOL**

**INTRODUCTORY SECTION**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2018**

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**NEW DESIGNS CHARTER SCHOOL**  
**FINANCIAL SECTION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
New Designs Charter School  
Los Angeles, California

I have audited the accompanying financial statements of New Designs Charter School (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 my audit. I conducted our 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 from material misstatement.

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 procedures 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, we express no such opinion.

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

An audit also includes evaluating 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 our 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 as of June 30, 2018, and the changes in its net assets and its cash flows for the fiscal year ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements of New Designs Charter School as a whole. The supplementary information listed in the table of contents (**Statement of Functional Expenses, Board Organization, Schedule of Average Daily Attendance, Schedule of Instructional Time, Reconciliation of SACS to Audited Financial Statements**) is presented for purposes of additional analysis and is not 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 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 my opinion, the information is 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*, I have also issued our report dated December 10, 2018, on my consideration of New Designs Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

**Other Reporting Required by *Government Auditing Standards* (Continued)**

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Designs Charter School's internal control over financial reporting and compliance.



San Diego, California  
December 10, 2018

**NEW DESIGNS CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2018**

**ASSETS**

**Current Assets**

|                              |                  |
|------------------------------|------------------|
| Cash (Note 3)                | \$ 3,015,413     |
| Accounts Receivable (Note 4) | <u>1,504,932</u> |

|                             |                         |
|-----------------------------|-------------------------|
| <b>Total Current Assets</b> | <b><u>4,520,345</u></b> |
|-----------------------------|-------------------------|

**Property and Equipment**

|                                                        |                  |
|--------------------------------------------------------|------------------|
| Property and Equipment (Net of Depreciation) (Note 12) | <u>6,162,331</u> |
|--------------------------------------------------------|------------------|

|                           |                         |
|---------------------------|-------------------------|
| <b>Total Fixed Assets</b> | <b><u>6,162,331</u></b> |
|---------------------------|-------------------------|

**Other Assets**

|                               |           |
|-------------------------------|-----------|
| Deposits and Prepaid Expenses | 2,140,248 |
|-------------------------------|-----------|

|                           |                         |
|---------------------------|-------------------------|
| <b>Total Other Assets</b> | <b><u>2,140,248</u></b> |
|---------------------------|-------------------------|

|                     |                                 |
|---------------------|---------------------------------|
| <b>Total Assets</b> | <b><u><u>12,822,924</u></u></b> |
|---------------------|---------------------------------|

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

|                                            |                |
|--------------------------------------------|----------------|
| Accounts Payable                           | 428,923        |
| Current Portion of Notes Payable (Note 13) | 233,333        |
| Accrued Liabilities                        | 282,813        |
| Line of Credit (Note 16)                   | 1,200,000      |
| Deferred Revenue                           | 173,479        |
| Related Party Payable (Note 5)             | <u>593,404</u> |

|                                  |                         |
|----------------------------------|-------------------------|
| <b>Total Current Liabilities</b> | <b><u>2,911,952</u></b> |
|----------------------------------|-------------------------|

**Long-Term Liabilities**

|                         |                  |
|-------------------------|------------------|
| Notes Payable (Note 13) | <u>3,224,261</u> |
|-------------------------|------------------|

|                                    |                         |
|------------------------------------|-------------------------|
| <b>Total Long Term Liabilities</b> | <b><u>3,224,261</u></b> |
|------------------------------------|-------------------------|

**Net Assets**

|                         |                  |
|-------------------------|------------------|
| Unrestricted Net Assets | <u>6,686,711</u> |
|-------------------------|------------------|

|                         |                         |
|-------------------------|-------------------------|
| <b>Total Net Assets</b> | <b><u>6,686,711</u></b> |
|-------------------------|-------------------------|

|                                         |                                    |
|-----------------------------------------|------------------------------------|
| <b>Total Liabilities and Net Assets</b> | <b><u><u>\$ 12,822,924</u></u></b> |
|-----------------------------------------|------------------------------------|

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

**NEW DESIGNS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

|                                                  | <u>Unrestricted</u>        | <u>Temporarily<br/>Restricted</u> | <u>Total</u>               |
|--------------------------------------------------|----------------------------|-----------------------------------|----------------------------|
| <b>Support</b>                                   |                            |                                   |                            |
| State Aid - Current Year                         | \$ 5,658,972               | \$ -                              | \$ 5,658,972               |
| Education Protection Accounts                    | 1,267,833                  | -                                 | 1,267,833                  |
| State Revenues                                   | 584,796                    | 1,209,888                         | 1,794,684                  |
| In Lieu Property Taxes                           | 2,145,952                  | -                                 | 2,145,952                  |
| Federal Revenues                                 | -                          | 1,927,483                         | 1,927,483                  |
| Local Revenues                                   | <u>115,154</u>             | <u>495,726</u>                    | <u>610,880</u>             |
| <b>Total Support</b>                             | <u><b>9,772,707</b></u>    | <u><b>3,633,097</b></u>           | <u><b>13,405,804</b></u>   |
| <br><b>Expenses</b>                              |                            |                                   |                            |
| Program Services - Education                     | 6,287,447                  | 3,633,097                         | 9,920,544                  |
| Support Services - Management and General        | <u>2,024,528</u>           | <u>-</u>                          | <u>2,024,528</u>           |
| <b>Total Expenses</b>                            | <u><b>8,311,975</b></u>    | <u><b>3,633,097</b></u>           | <u><b>11,945,072</b></u>   |
| <br>Increase (Change) in Unrestricted Net Assets | <u>1,460,732</u>           | <u>-</u>                          | <u>1,460,732</u>           |
| <br>Change in Net Assets                         | 1,460,732                  | -                                 | 1,460,732                  |
| Net Assets - July 1, 2017                        | <u>5,225,979</u>           | <u>-</u>                          | <u>5,225,979</u>           |
| <b>Net Assets - June 30, 2018</b>                | <u><b>\$ 6,686,711</b></u> | <u><b>\$ -</b></u>                | <u><b>\$ 6,686,711</b></u> |

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

**NEW DESIGNS CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Cash Flows from Operating Activities**

|                                                                                                 |                           |
|-------------------------------------------------------------------------------------------------|---------------------------|
| <b>Change in Net Assets</b>                                                                     | <b>\$ 1,460,732</b>       |
| Adjustments to Reconcile Changes in Net Assets<br>to Net Cash Provided by Operating Activities: |                           |
| Depreciation                                                                                    | (2,010,702)               |
| (Increase) Decrease in Operating Assets:                                                        |                           |
| Accounts Receivable                                                                             | (472,802)                 |
| Deposits and Prepaid Expenses                                                                   | (190,782)                 |
| Increase (Decrease) in Operating Liabilities                                                    |                           |
| Accounts Payable                                                                                | 180,353                   |
| Current Portion of Notes Payable                                                                | 139,345                   |
| Accrued Liabilities                                                                             | (189,972)                 |
| Loan Payable - CAM                                                                              | (2,609,797)               |
| Deferred Revenue                                                                                | (99,026)                  |
| Line of Credit                                                                                  | 1,200,000                 |
| Related Party Payable                                                                           | 24,113                    |
| <b>Net Cash (Used) by Operating Activities</b>                                                  | <b><u>(2,568,538)</u></b> |

**Cash Flows from Investing Activities**

|                                    |         |
|------------------------------------|---------|
| Purchase of Property and Equipment | 750,786 |
|------------------------------------|---------|

|                                                  |                       |
|--------------------------------------------------|-----------------------|
| <b>Net Cash Provided by Investing Activities</b> | <b><u>750,786</u></b> |
|--------------------------------------------------|-----------------------|

**Cash Flows from Financing Activities**

|                           |           |
|---------------------------|-----------|
| Increase in Notes Payable | 3,224,261 |
|---------------------------|-----------|

|                                                  |                         |
|--------------------------------------------------|-------------------------|
| <b>Net Cash Provided by Financing Activities</b> | <b><u>3,224,261</u></b> |
|--------------------------------------------------|-------------------------|

|                      |           |
|----------------------|-----------|
| Net Increase in Cash | 1,406,509 |
|----------------------|-----------|

|                             |                  |
|-----------------------------|------------------|
| Cash at Beginning of Period | <u>1,608,904</u> |
|-----------------------------|------------------|

|                              |                                   |
|------------------------------|-----------------------------------|
| <b>Cash at End of Period</b> | <b><u><u>\$ 3,015,413</u></u></b> |
|------------------------------|-----------------------------------|

Cash Paid for Interest \$183,616

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

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 (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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

**NOTE 4 - ACCOUNTS RECEIVABLE**

**NOTE 5 - RELATED PARTY PAYABLES**

**NOTE 6 - POST-EMPLOYMENT BENEFITS**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS**

- A. STRS
- B. California Public Employees' Retirement System (CalPERS)

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

**NOTE 9 - LEASES**

**NOTE 10 - EARLY RETIREMENT INCENTIVE PROGRAM**

**NOTE 11 - ACCRUED VACATION**

**NOTE 12 - PROPERTY AND EQUIPMENT**

**NOTE 13 - NOTES PAYABLE**

**NOTE 14 - SUBSEQUENT EVENTS**

**NOTE 15 - OPEN TAX YEARS**

**NOTE 16 - LINE OF CREDIT**

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - ORGANIZATION**

New Designs Charter School was granted its charter on October 23, 2003, pursuant to the terms of the Charter Schools Act of 1992, as amended. This charter, among other matters, calls for the Los Angeles Unified School District and the Organization to enter into a mutually agreeable memorandum of understanding, regarding the funding entitlements of the Organization, pursuant to Education Code Section 47612 and 47613.5, to define the operational and oversight arrangements between the Los Angeles Unified School District, and to define and resolve other matters of mutual interest. The mission of the Organization 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 21st century. The Organization will follow the California's Framework/Content Standards in all subjects including English Language Arts, Mathematics, Social Studies, Science, Physical Education and Fine Arts.

The Organization is a 6 through 12<sup>th</sup> grade charter school located at 2303 Figueroa Way, Los Angeles, California 90007.

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

**A. Basis of Accounting**

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 Statement of Financial Accounting Standards, (SFAS 117), Financial Statements for Not-for-Profit Organizations, 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, 2018, 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.

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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. Property and Equipment**

Property and Equipment 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 \$ 2,500 or more; all other assets are charged to expense in the year incurred. For additional information, see Note 12.

**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 had \$ 173,479 deferred revenue at June 30, 2018.

**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, 2018). 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.

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)**

**B. Cash in Banks and on Hand**

Cash in Banks and on Hand at June 30, 2018 consisted of the following:

|                                          |                            |
|------------------------------------------|----------------------------|
| Checking Account - Pacific Premier Bank  | \$ 2,386,782               |
| Checking Account - Broadway Federal Bank | 600,529                    |
| Checking Account - Wells Fargo Bank      | 6,264                      |
| Checking Account - Global Impact Account | 16,838                     |
| Petty Cash                               | <u>5,000</u>               |
| <b>Total Cash in Banks and on Hand:</b>  | <b><u>\$ 3,015,413</u></b> |

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, 2018, the Organization had \$ 2,463,189 in uninsured funds.

**NOTE 4 - ACCOUNTS RECEIVABLE**

As of June 30, 2018, the Accounts Receivable were as follows:

|                      | <u><b>June 30, 2018</b></u> |
|----------------------|-----------------------------|
| State Apportionments | \$ 362,444                  |
| Federal Revenues     | 441,610                     |
| State Revenues       | 508,681                     |
| Local Sources        | <u>192,197</u>              |
| <b>Total</b>         | <b><u>\$ 1,504,932</u></b>  |

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 – RELATED PARTY PAYABLES**

The Organization makes payroll payments on behalf of a related party, New Designs Charter School – Watts. New Designs Charter School – Watts is a related party as they have the same board of directors and share management personnel.

Related Party Payables as of June 30, 2018 are as follows:

|                                        |                   |
|----------------------------------------|-------------------|
| New Designs Charter School - Watts     | \$ 593,404        |
| <b>Total Related Party Receivables</b> | <b>\$ 593,404</b> |

**NOTE 6 - POST-EMPLOYMENT BENEFITS**

For the fiscal year ended June 30, 2018, the Organization did not provide for any post-employment benefits.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS**

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).

**A. STRS**

**Plan Description**

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. 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, Sacramento, California 95826.

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**A. STRS (Continued)**

**Funding Policy**

Active plan members are required to contribute from 8.56% to 9.12% 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 2017-2018 was 12.58% 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 ended June 30, 2018, 2017, and 2016, were \$412,862; \$361,788; and \$230,593; respectively, and equaled 100% of the required contributions for the year.

**B. 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.

**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 highest 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.

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**B. California Public Employee's Retirement System (CalPERS) (Continued)**

**Funding Policy (Continued)**

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 2018 was 11.22% of annual payroll. The Organization contributed \$ 217,663 for the 2018 year, which was 100% of their required contribution.

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2018, the Organization has no Temporarily Restricted Net Assets.

**NOTE 9 - LEASES**

**Operating Leases**

The Organization leases its facilities through University Park and Watts, LLC on a long-term lease ending April 30, 2042. Total lease payments for the year equal \$ 1,854,002. The Organization is required to keep the following month's lease payment on deposit with the owners at all times. Future Operating Lease Payments under these agreements are as follows:

| <b>Year Ending<br/>June 30, 2018</b> | <b>Amount</b>        |
|--------------------------------------|----------------------|
| 2019                                 | \$ 1,842,070         |
| 2020                                 | 1,858,991            |
| 2021                                 | 1,878,129            |
| 2022                                 | 1,881,261            |
| 2023                                 | 1,900,956            |
| 2024-2028                            | 9,826,637            |
| 2029-2033                            | 10,441,320           |
| 2034-2038                            | 11,196,761           |
| 2039-2043                            | 10,474,711           |
| 2044-2047                            | 4,890,403            |
| <b>Total</b>                         | <b>\$ 56,191,239</b> |

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 10 - EARLY RETIREMENT INCENTIVE PROGRAM**

For the year fiscal year ended June 30, 2018, the Organization did not provide an early retirement incentive program.

**NOTE 11 - ACCRUED VACATION**

At June 30, 2018, the Organization had \$ 58,435 of accrued vacation liabilities.

**NOTE 12 - PROPERTY AND EQUIPMENT**

A schedule of changes in property and equipment and accumulated depreciation for the fiscal year ended June 30, 2018 is as follows:

**Summary of Changes in Property and Equipment**

| <u>Property and Equipment</u>                           | <u>Cost</u>                       |
|---------------------------------------------------------|-----------------------------------|
| Buildings and Improvements                              | \$ 2,834,400                      |
| Construction in Progress                                | 4,908,722                         |
| Equipment                                               | 511,760                           |
| Furniture and Fixtures                                  | 108,399                           |
| Less: Accumulated Depreciation                          | <u>(2,200,950)</u>                |
| <b>Total Property and Equipment Net of Depreciation</b> | <b><u><u>\$ 6,162,331</u></u></b> |

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 13 - NOTES PAYABLE**

**A. Notes Payable Activity**

Notes Payable activity includes long term debt and other notes payable. Changes in these obligations for the fiscal year ended June 30, 2018 are as follows:

| Notes Payable:             | Balance 2017     | Additions           | Payments         | Balance 2018        | Due in<br>One Year |
|----------------------------|------------------|---------------------|------------------|---------------------|--------------------|
| La Rue General Contractors | \$ 93,988        | \$ -                | \$ 93,988        | \$ -                | \$ -               |
| Pacific Premier Loan       | -                | 3,500,000           | -                | 3,500,000           | 233,333            |
| <b>Total</b>               | <b>\$ 93,988</b> | <b>\$ 3,500,000</b> | <b>\$ 93,988</b> | <b>\$ 3,500,000</b> | <b>\$ 233,333</b>  |

**B. Pacific Premier Loan**

On June 20, 2018 the Organization took out a business loan from Pacific Premier Bank in the principal amount of \$ 3,500,000 with adjustable interest of .5% plus prime, that was accruing monthly at 5.5% during the fiscal year end of June 30, 2018. The loan will mature on May 30, 2025, with monthly payments principle payments of \$ 19,444 including interest. Debt service requirements for this note are as follows:

| <b>Fiscal Year<br/>Ending<br/>June 30, 2018</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|-------------------------------------------------|---------------------|---------------------|---------------------|
| 2019                                            | \$ 233,333          | \$ 189,210          | \$ 422,543          |
| 2020                                            | 233,333             | 176,198             | 409,531             |
| 2021                                            | 233,333             | 163,187             | 396,520             |
| 2022                                            | 233,333             | 150,175             | 383,508             |
| 2023                                            | 233,333             | 137,164             | 370,497             |
| Therafter                                       | 2,333,335           | 235,293             | 2,568,628           |
| <b>Total</b>                                    | <b>\$ 3,500,000</b> | <b>\$ 1,051,227</b> | <b>\$ 4,551,227</b> |

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 14 - SUBSEQUENT EVENTS**

Events subsequent to June 30, 2018 have been evaluated through December 10, 2018, the date at which the Organization's audited financial statements were available to be issued. Subsequent to June 30, 2018, the Organization noted no material reportable subsequent events.

**NOTE 15 - OPEN TAX YEARS**

There are no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ended June 30, 2018.

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 16 – LINE OF CREDIT**

The organization has a \$ 1,200,000 bank line of credit with Pacific Premier Bank. The line bears interest based on the prime rate plus .5% through the fiscal year ended June 30, 2018. At June 30, 2018 the outstanding balance was \$ 1,200,000.

**NEW DESIGNS CHARTER SCHOOL**  
**SUPPLEMENTARY INFORMATION SECTION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NEW DESIGNS CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

|                                                                | Program Services    |                              | Support Services             |                              | Total                |
|----------------------------------------------------------------|---------------------|------------------------------|------------------------------|------------------------------|----------------------|
|                                                                | Education           | Total<br>Program<br>Services | Management<br>and<br>General | Total<br>Support<br>Services |                      |
|                                                                |                     |                              |                              |                              |                      |
| <b>Compensation and Related Expenses</b>                       |                     |                              |                              |                              |                      |
| Salaries - Certificated                                        | \$ 2,560,771        | \$ 2,560,771                 | \$ 451,901                   | \$ 451,901                   | \$ 3,012,672         |
| Salaries - Classified                                          | 1,391,869           | 1,391,869                    | 245,624                      | 245,624                      | 1,637,493            |
| Employee Benefits                                              | 1,090,215           | 1,090,215                    | 192,391                      | 192,391                      | 1,282,606            |
| <b>Total Compensation<br/>and Related Expenses</b>             | <b>5,042,855</b>    | <b>5,042,855</b>             | <b>889,916</b>               | <b>889,916</b>               | <b>5,932,771</b>     |
| Books and Supplies                                             | 307,935             | 307,935                      | 54,341                       | 54,341                       | 362,276              |
| Travel and Conferences                                         | 8,748               | 8,748                        | 1,544                        | 1,544                        | 10,292               |
| Dues and Memberships                                           | 7,800               | 7,800                        | 1,377                        | 1,377                        | 9,177                |
| Insurance                                                      | 146,542             | 146,542                      | 25,860                       | 25,860                       | 172,402              |
| Operation and Housekeeping Services                            | 96,540              | 96,540                       | 17,037                       | 17,037                       | 113,577              |
| Rental, Leases, and Repairs                                    | 1,695,612           | 1,695,612                    | 299,226                      | 299,226                      | 1,994,838            |
| Depreciation and Amortization                                  | 216,366             | 216,366                      | 38,182                       | 38,182                       | 254,548              |
| Communications                                                 | 141,391             | 141,391                      | 24,951                       | 24,951                       | 166,342              |
| Professional/Consulting Services and<br>Operating Expenditures | 2,256,755           | 2,256,755                    | 398,251                      | 398,251                      | 2,655,006            |
| Transfers of Indirect Costs                                    | -                   | -                            | 90,227                       | 90,227                       | 90,227               |
| Interest                                                       | -                   | -                            | 183,616                      | 183,616                      | 183,616              |
| <b>TOTAL</b>                                                   | <b>\$ 9,920,544</b> | <b>\$ 9,920,544</b>          | <b>\$ 2,024,528</b>          | <b>\$ 2,024,528</b>          | <b>\$ 11,945,072</b> |

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
BOARD ORGANIZATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The Board of Trustees for the fiscal year ended June 30, 2018 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    | Board Vice President | June 30, 2020       |
| Sheldon Zaslansky | Treasurer            | June 30, 2019       |
| Derek Akrofi      | Secretary            | June 30, 2019       |
| Kojo Essien       | Member               | June 30, 2020       |
| Diego Abba        | Member               | June 30, 2019       |

New Designs Charter School received its charter from the Los Angeles Unified School District in 2003. There were no boundary changes during the year. The Charter served students in grades 6-12.

Management Team

Paul Okaiteye, CEO  
Stephen Gyesaw, Principal  
Samuel Kyerematen, Director of Business Services

Charter Number

0601

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

|                                         | <b>Classroom Based</b>      |                      |
|-----------------------------------------|-----------------------------|----------------------|
|                                         | <u>Second Period Report</u> | <u>Annual Report</u> |
| Grade 6                                 | 144.60                      | 143.70               |
| Grades 7 - 8                            | 292.54                      | 290.52               |
| Grades 9 - 12                           | 420.11                      | 415.25               |
| <b>Total New Designs Charter School</b> | <b><u>857.25</u></b>        | <b><u>849.47</u></b> |

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

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| <b><u>Grade Level</u></b> | <b><u>2017-2018<br/>Required Minutes</u></b> | <b><u>2017-2018<br/>Actual Minutes</u></b> | <b><u>Number of Days<br/>Traditional<br/>Actual Days</u></b> | <b><u>Status</u></b> |
|---------------------------|----------------------------------------------|--------------------------------------------|--------------------------------------------------------------|----------------------|
| Grade 6                   | 54,000                                       | 64,729                                     | 180                                                          | In Compliance        |
| Grade 7                   | 54,000                                       | 64,729                                     | 180                                                          | In Compliance        |
| Grade 8                   | 54,000                                       | 64,729                                     | 180                                                          | In Compliance        |
| Grade 9                   | 64,800                                       | 71,310                                     | 180                                                          | In Compliance        |
| Grade 10                  | 64,800                                       | 71,310                                     | 180                                                          | In Compliance        |
| Grade 11                  | 64,800                                       | 71,310                                     | 180                                                          | In Compliance        |
| Grade 12                  | 64,800                                       | 71,310                                     | 180                                                          | In Compliance        |

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL  
RECONCILIATION OF SACS REPORT TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

|                                                          |                                   |
|----------------------------------------------------------|-----------------------------------|
| <b>June 30, 2018 Ending Fund Balance Per SACS Report</b> | <b>\$ 6,431,125</b>               |
| Adjustments to Reconcile Changes in Ending Fund Balance: |                                   |
| Additional Accounts Receivable Recorded                  | <u>255,586</u>                    |
| <b>June 30, 2018 Ending Fund Balance Per Audit</b>       | <b><u><u>\$ 6,686,711</u></u></b> |

See Independent Auditor's Report

**NEW DESIGNS CHARTER SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| Federal Grantor                  | Federal Program                    | Federal CFDA |        | Pass-Through Entity Identifying         | Expenditures       |                          |
|----------------------------------|------------------------------------|--------------|--------|-----------------------------------------|--------------------|--------------------------|
|                                  |                                    | Number       | Number |                                         | From Direct Awards | From Pass-Through Awards |
| <b>Title I Cluster</b>           |                                    |              |        |                                         |                    |                          |
| US Department of Education       | Title I                            | 84.01        | N/A    |                                         | \$ 372,021         | \$ 372,021               |
|                                  |                                    |              |        | <b>Total Title I Cluster:</b>           | \$ 372,021         | \$ 372,021               |
| <b>Title II, Part A Cluster</b>  |                                    |              |        |                                         |                    |                          |
| US Department of Education       | Title II, Part A                   | 84.367       | N/A    |                                         | \$ 41,755          | \$ 41,755                |
|                                  |                                    |              |        | <b>Total Title II, Part A Cluster:</b>  | \$ 41,755          | \$ 41,755                |
| <b>Title III, Part A Cluster</b> |                                    |              |        |                                         |                    |                          |
| US Department of Education       | Title III, Part A                  | 84.031       | N/A    |                                         | \$ 16,688          | \$ 16,688                |
|                                  |                                    |              |        | <b>Total Title III, Part A Cluster:</b> | \$ 16,688          | \$ 16,688                |
| <b>Special Education Cluster</b> |                                    |              |        |                                         |                    |                          |
| US Department of Education       | Special Ed                         | 84.027       | N/A    |                                         | \$ 166,693         | \$ 166,693               |
|                                  |                                    |              |        | <b>Total Special Education Cluster:</b> | \$ 166,693         | \$ 166,693               |
| <b>Child Nutrition Cluster</b>   |                                    |              |        |                                         |                    |                          |
| US Department of Agriculture     | Child Nutrition                    | 10.555       | N/A    |                                         | \$ 1,223,989       | \$ 1,223,989             |
| US Department of Agriculture     | Child and Adult Care Food Programs | 10.558       | N/A    |                                         | \$ 106,337         | \$ 106,337               |
|                                  |                                    |              |        | <b>Total Child Nutrition Cluster:</b>   | \$ 1,330,326       | \$ 1,330,326             |
|                                  |                                    |              |        | <b>Total Federal Awards Expended:</b>   | \$ 1,927,483       | \$ 1,927,483             |

The 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 the 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). The School has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NEW DESIGNS CHARTER SCHOOL**  
**OTHER INDEPENDENT AUDITOR'S REPORTS SECTION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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

4225 Executive Square, Suite 600, La Jolla, CA 92037 | Tel 858.242.5686 | Fax 309.410.4146

**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***

Board of Directors  
New Designs Charter School  
Los Angeles, California

I 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 School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018; and the related statements of activities and cash flows for the fiscal year ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2018.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered New Designs Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Designs Charter School's internal control. Accordingly, I do not express an opinion on the effectiveness of New Designs Charter School's internal control.

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

## **Internal Control over Financial Reporting (Continued)**

My 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 my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the New Designs Charter School's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing based on the requirements of *Government Auditing Standards* and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is intended solely for the information and use of the Board, management, the Los Angeles County Office of Education, the Los Angeles Unified School District, 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 10, 2018

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

4225 Executive Square, Suite 600, La Jolla, CA 92037 | Tel 858.242.5686 | Fax 309.410.4146

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE AND  
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
New Designs Charter School  
Los Angeles, California

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

I have audited New Designs Charter School's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Designs Charter School's major federal programs for the fiscal year ended June 30, 2018. New Designs Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of New Designs Charter School's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted the 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).

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

Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Designs Charter School'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 on compliance for each major federal program. However, my audit does not provide a legal determination of New Designs Charter School's compliance.

### **Opinion on Each Major Federal Program**

In my opinion, New Designs Charter School 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 fiscal year ended June 30, 2018.

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

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

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

### **Report on Internal Control Over Compliance (Continued)**

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

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

I have audited the financial statements of New Designs Charter School as of and for the fiscal year ended June 30, 2018, and have issued my report thereon dated December 10, 2018, which contained an unmodified opinion on those financial statements. My 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



San Diego, California  
December 10, 2018

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Directors  
New Designs Charter School  
Los Angeles, CA

### **Report on State Compliance**

I have audited the compliance of New Designs Charter School (the Organization) with the types of compliance requirements described in the 2017-18 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (K-12 Audit Guide), published by the Education Audit Appeals Panel for the fiscal year ended June 30, 2018. The Organization's state compliance requirements are identified in the table 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's state programs based on the audit of the types of compliance requirements referred to above.

I conducted the 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 2017-18 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published 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 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 the 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 complied, in all respects, with the types of compliance requirements referred to above that are applicable to state programs noted in the table below for the fiscal year ended June 30, 2018.

## Procedures Performed

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

| Description                                                          | Procedures Performed |
|----------------------------------------------------------------------|----------------------|
| 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                                     | N/A                  |
| Immunizations                                                        | Yes                  |
| Attendance                                                           | Yes                  |
| Mode of Instruction                                                  | Yes                  |
| Nonclassroom-Based Instruction/Independent Study for Charter Schools | N/A                  |
| Determination of Funding for Nonclassroom -Based Instruction         | N/A                  |
| Annual Instructional Minutes - Classroom Based                       | Yes                  |
| Charter School Facility Grant Program                                | Yes                  |



San Diego, California  
December 10, 2018

**NEW DESIGNS CHARTER SCHOOL**  
**FINDINGS AND RECOMMENDATIONS SECTION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NEW DESIGNS CHARTER SCHOOL  
SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?            Yes     X     No

Significant Deficiency(ies) identified?            Yes     X     None reported

Noncompliance material to financial statements noted?            Yes     X     No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?            Yes     X     No

Significant deficiency(ies) identified?            Yes     X     None reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance SS200.516a            Yes     X     No

**Identification of Major Programs**

CFDA Number

10.555

Name of Federal Program

Child Nutrition

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?     X     Yes            No

**NEW DESIGNS CHARTER SCHOOL  
SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Section II - Financial Statement Findings**

There were no current year findings.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.

**NEW DESIGNS CHARTER SCHOOL  
CURRENT YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Our study and evaluation did not disclose any material weaknesses in the organization.

**NEW DESIGNS CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| <b><u>Findings/Recommendations</u></b> | <b><u>Current Status</u></b> | <b><u>Explanation if<br/>Not Implemented</u></b> |
|----------------------------------------|------------------------------|--------------------------------------------------|
| NONE                                   | N/A                          | N/A                                              |