



New Designs
Charter Schools
Charters #601,1120

Audit Report

June 30, 2022



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



New Designs Charter School
Financial Statements and Supplemental Information (Continued)
Year Ended June 30, 2022

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Independent Auditor's Report

To the Board of Directors of
New Designs Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Designs Charter Schools (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, consolidated functional expenses, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Designs Charter Schools as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Designs Charter Schools's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Designs Charter Schools’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Designs Charter Schools’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The additional accompanying supplementary information, as identified in the Table of Contents and as required by the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and additional accompanying supplementary information, as identified in the Table of Contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of New Designs Charter Schools’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Designs Charter Schools’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Designs Charter Schools’s internal control over financial reporting and compliance.

El Cajon, California
December 15, 2022

Financial Statements

New Designs Charter Schools
Consolidated Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$ 6,650,597
Operating investments	3,838,936
Accounts receivable	4,513,267
Prepaid expenses	332,135
Security deposits	25,767
Other assets cost of issuance	1,504,599
Property and equipment, net	41,001,208
Total Assets	\$ 57,866,509

Liabilities and Net Assets

Liabilities

Accounts payable - vendors	\$ 816,974
Accounts payable - related entities	284,225
Accounts payable - grantor government	833,065
Accrued payroll liabilities	304,055
Accrued vacation liability	48,783
Unearned revenue	2,206,121
Bonds and notes payable	41,291,449
Total Liabilities	45,784,672

Net Assets

Without donor restrictions	
Undesignated	8,423,169
Invested in property and equipment, net of related debt	3,658,664
	12,081,833

With donor restrictions

Restricted for state programs	4
	4

Total Net Assets	12,081,837
Total Liabilities and Net Assets	\$ 57,866,509

The accompanying notes are an integral part of this statement.

New Designs Charter Schools

Consolidated Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 5,152,815	\$ -	\$ 5,152,815
Education protection account state aid	3,362,598	-	3,362,598
Transfers in lieu of property taxes	3,209,128	-	3,209,128
Total LCFF sources	11,724,541	-	11,724,541
Federal contracts and grants	-	6,930,622	6,930,622
State contracts and grants	1,385,933	2,084,653	3,470,586
Local contracts and grants	228,504	-	228,504
Donations	20,048	-	20,048
Interest income	2,271	-	2,271
Net assets released from restriction -	-	-	-
Grant restrictions satisfied	9,256,296	(9,256,296)	-
Total revenue, support, and gains	22,617,593	(241,021)	22,376,572
Expenses and Losses			
Program services expense	14,784,624	-	14,784,624
Supporting services expense	7,287,939	-	7,287,939
Total expenses and losses	22,072,563	-	22,072,563
Change in Net Assets	545,030	(241,021)	304,009
Net Assets, Beginning of Year	11,536,803	241,025	11,777,828
Net Assets, End of Year	\$ 12,081,833	\$ 4	\$ 12,081,837

The accompanying notes are an integral part of this statement.

New Designs Charter Schools
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	Educational Programs	Management and General	
Salaries and Wages	\$ 4,833,588	\$ 2,779,193	\$ 7,612,781
Pension expense	859,970	494,555	1,354,525
Other employee benefits	494,596	284,510	779,106
Payroll taxes	246,005	141,497	387,502
Fees for services:			
Management	-	348,000	348,000
Legal	-	172,721	172,721
Audit	-	24,990	24,990
Professional consulting	2,472,922	-	2,472,922
District oversight	-	120,758	120,758
Banking and service charges	-	45,076	45,076
Advertising and promotion	247,080	-	247,080
Office expenses	801,405	-	801,405
Information technology	117,444	-	117,444
Amortization	-	61,474	61,474
Occupancy	3,188,774	-	3,188,774
Travel	13,979	-	13,979
Conferences, conventions, and meetings	42,818	-	42,818
Debt service interest	-	2,258,022	2,258,022
Depreciation	1,100,972	-	1,100,972
Insurance	-	552,736	552,736
Other expenses:			
Books and supplies	2,147,330	-	2,147,330
Noncapitalized equipment	784,138	-	784,138
Equipment rental and repair	146,861	-	146,861
Special education encroachment	222,308	-	222,308
Student events	103,331	-	103,331
Miscellaneous	-	4,407	4,407
Total expenses by function	<u>\$ 17,823,521</u>	<u>\$ 7,287,939</u>	<u>\$ 25,111,460</u>

The accompanying notes are an integral part of this statement.

New Designs Charter Schools

Consolidated Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 20,802,607
Receipts from property taxes	3,209,128
Receipts from interest	2,271
Other cash receipts	20,048
Payments for salaries, benefits and payroll taxes	(10,089,460)
Payments to vendors	(8,278,925)
Net Cash Provided by Operating Activities	<u>5,665,669</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(805,697)
Purchases of investments	(71,079)
Net Cash Used for Investing Activities	<u>(876,776)</u>
Cash Flows from Financing Activities	
Payments on bonds payable	(799,389)
Interest paid	(2,258,022)
Net Cash Used for Financing Activities	<u>(3,057,411)</u>
Net Change in Cash and Cash Equivalents	1,731,482
Cash and Cash Equivalents, Beginning of Year	<u>4,919,115</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,650,597</u>
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities	
Change in net assets	\$ 304,009
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	1,100,972
Debt interest paid	2,258,022
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	272,794
Prepaid expenses	(148,222)
Security deposits	(200)
Other assets cost of issuance	61,474
Increase (Decrease) in liabilities	
Accounts payable - vendors	103,453
Accounts payable - related entities	284,225
Accounts payable - grantor government	642,591
Accrued payroll liabilities	91,500
Unearned revenue	742,097
Net Cash Provided by Operating Activities	<u>\$ 5,665,669</u>

The accompanying notes are an integral part of this statement.

New Designs Charter Schools
Notes to the Consolidated Financial Statements
Year Ended June 30, 2022

A. Principal Activity and Summary of Significant Accounting Policies

Organization Structure

New Designs Charter School University Park

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

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

New Designs Charter School Watts

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

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

University Park and Watts LLC

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

Home Office

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

Basis of Accounting

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

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Basis of Consolidation

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Property and Equipment

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

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Investments

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

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Net Assets

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

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

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

Revenue and Revenue Recognition

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

Donated Services and In-Kind Contributions

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

Advertising

Advertising costs are expensed as incurred and approximated \$247,080 during the year ended June 30, 2022.

Functional Allocation of Expenses

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

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Income Taxes

The Organization is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2022, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows provisions of uncertain tax positions as addressed in ASC 958. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2022.

Estimates

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

Financial Instruments and Credit Risk

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

LCFF Revenues and Payments in Lieu of Property Taxes

The Organization's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the school, which is funding in lieu of property taxes, and education protection account funds paid by the state under Proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 53% of the School's revenue.

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

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

New Accounting Guidance

The Financial Accounting Standards Board (FASB) issues accounting standards updates and additional guidance for not-for-profit and for-profit agencies to establish consistent accounting across all organizations in the United States. The following table represents items that have been issued by FASB that became effective in the 2021-22 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2017-12 - <i>Derivatives and Hedging (Topic 815)</i>	Aug-17
FASB Accounting Standards Update 2018-10 - <i>Codification Improvements to Topic 842 Leases</i>	Jul-18
FASB Accounting Standards Update 2018-15 - <i>Intangibles, Goodwill and Other, Internal Use Software (Topic 350-40)</i>	Aug-18
FASB Accounting Standards Update 2018-16 - <i>Derivatives and Hedging (Topic 815)</i>	Oct-18
FASB Accounting Standards Update 2018-17 - <i>Consolidation (Topic 810)</i>	Oct-18
FASB Accounting Standards Update 2018-18 - <i>Collaborative Arrangements (Topic 808)</i>	Nov-18
FASB Accounting Standards Update 2019-02 - <i>Entertainment Film Costs (Topic 926-20)</i>	Mar-19
FASB Accounting Standards Update 2019-10 - <i>Derivatives and Hedging (Topic 815)</i>	Nov-19
FASB Accounting Standards Update 2020-07 - <i>Not-For-Profit Entities (Topic 958)</i>	Sep-20

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

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through **December 15, 2022**, the date the financial statements were available to be issued.

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

B. Liquidity and Availability

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

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Total
Cash and cash equivalents	\$ 4,738,341	\$ 1,912,256	\$ -	\$ 6,650,597
Operating investments	-	-	3,838,936	3,838,936
Accounts receivable	3,090,220	1,423,047	-	4,513,267
	<u>\$ 7,828,561</u>	<u>\$ 3,335,303</u>	<u>\$ 3,838,936</u>	<u>\$ 15,002,800</u>

C. Fair Value Measurements and Disclosures

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset or liability. In these situations, the Corporation develops inputs using the best information available in the circumstances.

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

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments:				
Cash in money market funds	\$ 3,838,936	\$ 3,838,936	\$ -	\$ -

D. Cash and Cash Equivalents

The School's cash and cash equivalents on June 30, 2022, consisted of the following:

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Total
Cash in bank accounts	\$ 4,738,341	\$ 1,912,256	\$ -	\$ 6,650,597
Cash in money market accounts	-	-	3,838,936	3,838,936
Total cash and cash equivalents	<u>\$ 4,738,341</u>	<u>\$ 1,912,256</u>	<u>\$ 3,838,936</u>	<u>\$ 10,489,533</u>

Cash Equivalents

The LLC maintains a portion of their funds in short term investments with maturities less than three months in length (\$3,838,936 as of June 30, 2022). These cash equivalents consist of United States Government Money Market Funds. These funds are not FDIC insured and are therefore exposed to custodial credit risk. The School does not anticipate any losses as a result of this risk. Cash may be added or withdrawn from the money market accounts without limitation.

Cash in Bank

The remainder of the Organization's cash in bank (\$6,650,597 as of June 30, 2022) is held in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2022, the School held \$5,649,997 in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

E. Accounts Receivable

As of June 30, 2022, the Organization's accounts receivable consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>Total</u>
Federal Government			
ESSER III	\$ 1,770,800	\$ 758,763	\$ 2,529,563
ESSER II	96	184,823	184,919
Child Nutrition	188,800	53,179	241,979
Other Federal Programs	15,348	15,642	30,990
State Government			
Education Protection Account	1,009,415	351,600	1,361,015
Lottery Funding	77,303	11,431	88,734
SB740	17,009	6,109	23,118
Child Nutrition	10,327	3,576	13,903
ASES	-	10,456	10,456
Other State Programs		15,596	15,596
Local Government			
Property tax payments	-	10,923	10,923
Other Local Sources			
Other local sources	1,122	949	2,071
Total Accounts Receivable	<u>\$ 3,090,220</u>	<u>\$ 1,423,047</u>	<u>\$ 4,513,267</u>

F. Prepaid Expenses

As of June 30, 2022, the School's prepaid expenses consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>Total</u>
Employee payroll and benefits	\$ 217,110	\$ 19,247	\$ 236,357
Vendors	64,535	28,855	93,390
Maintenance lease	2,388	-	2,388
Total Prepaid Expenses	<u>\$ 284,033</u>	<u>\$ 48,102</u>	<u>\$ 332,135</u>

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

G. Property and Equipment

Property and equipment for New Designs University Park consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	\$ -	\$ 296,065	\$ 213,715	\$ 82,350
Total Non-Depreciable Capital Assets	-	296,065	213,715	82,350
Depreciable Capital Assets				
Buildings and Improvements	5,190,663	525,556	-	5,716,219
Equipment, Furniture, and Fixtures	482,802	93,469	-	576,271
Total Depreciable Capital Assets	5,673,465	619,025	-	6,292,490
Total Capital Assets	5,673,465	915,090	213,715	6,374,840
Less Accumulated Depreciation	(2,778,158)	(320,974)	-	(3,099,132)
Capital Assets, Net	\$ 2,895,307	\$ 594,116	\$ 213,715	\$ 3,275,708

Property and equipment for New Designs Watts consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Buildings and Improvements	\$ 1,148,824	\$ 104,322	\$ -	\$ 1,253,146
Equipment, Furniture, and Fixtures	163,981	-	-	163,981
Total Depreciable Capital Assets	1,312,805	104,322	-	1,417,127
Total Capital Assets	1,312,805	104,322	-	1,417,127
Less Accumulated Depreciation	(961,305)	(72,866)	-	(1,034,171)
Capital Assets, Net	\$ 351,500	\$ 31,456	\$ -	\$ 382,956

Property and equipment for the University Park and Watts LLC consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 19,518,000	\$ -	\$ -	\$ 19,518,000
Total Non-Depreciable Capital Assets	19,518,000	-	-	19,518,000
Depreciable Capital Assets				
Buildings and Improvements	21,213,953	-	-	21,213,953
Total Depreciable Capital Assets	21,213,953	-	-	21,213,953
Total Capital Assets	40,731,953	-	-	40,731,953
Less Accumulated Depreciation	(2,682,277)	(707,132)	-	(3,389,409)
Capital Assets, Net	\$ 38,049,676	\$ (707,132)	\$ -	\$ 37,342,544

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Consolidated Property and equipment consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 19,518,000	\$ -	\$ -	\$ 19,518,000
Work in Progress	-	296,065	213,715	82,350
Total Non-Depreciable Capital Assets	19,518,000	296,065	213,715	19,600,350
Depreciable Capital Assets				
Buildings and Improvements	\$ 27,553,440	\$ 629,878	\$ -	\$ 28,183,318
Equipment, Furniture, and Fixtures	646,783	93,469	-	740,252
Total Depreciable Capital Assets	28,200,223	723,347	-	28,923,570
Total Capital Assets	47,718,223	1,019,412	213,715	48,523,920
Less Accumulated Depreciation	(6,421,740)	(1,100,972)	-	(7,522,712)
Capital Assets, Net	\$ 41,296,483	\$ (81,560)	\$ 213,715	\$ 41,001,208

H. Unearned Revenue

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

The following table provides information about significant changes in unearned revenue for the year ended June 30, 2022:

	New Designs University Park	New Designs Watts	Total
Unearned Revenue, beginning of period	\$ 910,418	\$ 553,606	\$ 1,464,024
Increases in unearned revenue due to cash received during the period	1,524,486	681,635	2,206,121
Decreases in unearned revenue due to performance obligations met during the period	(910,418)	(553,606)	(1,464,024)
Unearned Revenue, end of period	\$ 1,524,486	\$ 681,635	\$ 2,206,121

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

As of June 30, 2022, unearned revenue consisted of the following:

	New Designs <u>University Park</u>	New Designs <u>Watts</u>	<u>Total</u>
Federal Programs:			
ESSER III	\$ 76,203	\$ 42,884	\$ 119,087
ESSER II	24,420	11,981	36,401
GEER II	5,605	2,750	8,355
State Programs:			-
Special Education	79,063	-	79,063
A-G Learning Loss	192,289	153,727	346,016
ASES	71,951	84,429	156,380
Educator Effectiveness	137,832	59,827	197,659
K-12 Strong Workforce	371,156	177,553	548,709
In-Person Instruction	80,356	-	80,356
Expanded Learning Opportunity	485,611	148,484	634,095
Total	<u>\$ 1,524,486</u>	<u>\$ 681,635</u>	<u>\$ 2,206,121</u>

I. Bonds Payable

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

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

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

Principal amount	\$ 39,345,000
Unamortized premium	1,946,449
	<u>\$ 41,291,449</u>

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	920,000	2,089,700	3,009,700
2024	965,000	2,042,749	3,007,749
2025	1,015,000	1,993,625	3,008,625
2026	1,070,000	1,940,249	3,010,249
2027-31	6,245,000	8,796,187	15,041,187
2032-36	8,090,000	6,957,025	15,047,025
2037-41	10,530,000	4,218,725	14,748,725
2042-46	6,630,000	1,819,675	8,449,675
2047-50	3,880,000	496,750	4,376,750
	<u>\$ 39,345,000</u>	<u>\$ 30,354,685</u>	<u>\$ 69,699,685</u>

J. Net Assets With Donor Restrictions

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

Restricted for state programs:	
Special education	\$ 4
Total net assets with donor restrictions	\$ 4

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

Beginning restricted net assets	\$ 102,976
Restricted grants received	2,816,170
Net assets released from restriction:	
Restricted purpose satisfied	(2,919,142)
Ending restricted net assets	\$ 4

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

K. Operating Leases

New Designs Charter School University Park

The School leases its facilities through University Park and Watts LLC on a long-term lease ending April 30, 2042. The School is required to always keep the following months lease payment on deposit with the owners.

Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases</u>
2023	\$ 1,910,171
2024	1,930,618
2025	1,954,611
2026	1,974,616
2027	1,999,173
Thereafter	<u>38,246,219</u>
Total minimum lease payments	<u>\$ 48,015,408</u>

Rent expense for the year ended June 30, 2022, totaled \$2,536,438.

New Designs Charter School Watts

New Designs Charter School Watts leases a facility, from University Park and Watts LLC, under a long term lease agreement, with an option to renew at the end of the lease term. This lease also includes the parking facilities at the location. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases</u>
2023	540,756
2024	539,188
2025	541,225
2026	541,354
2027	540,908
Thereafter	<u>9,077,023</u>
Total minimum lease payments	<u>\$ 11,780,454</u>

Rent expense for the year ended June 30, 2022, totaled \$555,997.

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

L. Related Party Transactions

Related parties as defined by generally accepted accounting standards include:

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

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

The following represent related party accounts payable at June 30, 2022:

<u>Affiliated Organization</u>	<u>Receivable</u>	<u>Purpose</u>	<u>Repayment Term</u>
University Park and Watts LLC	\$ 284,225	Rent	Due within 90 days
Total	<u>\$ 284,225</u>		

M. Employee Retirement System

Qualified employees are covered under a multiple-employer defined benefit pension plan by an agency of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

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

If the Schools choose to stop participating in some of its multi-employer plans, the Schools may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Schools participation in these plans for the fiscal year ended June 30, 2022, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2022, 2021 and 2020 is for the plan's year-end at June 30, 2022, 2021 and 2020, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Period to Period Comparability:

New Designs Charter Schools decreased in CalSTRS contributions from 2020 to 2021 by 6.53% followed by an increase in 2022 of 2.62%. New Designs Charter Schools increased in CalPERS contributions from 2020 to 2021 by 0.97% followed by an additional increase in 2022 of 24.87%. The increases in CalSTRS and CalPERS in 2022 due to the increase in contributions and the number of participants in the plans for the school year.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
		2022	2021	2020	
CalSTRS - UP	19645	Yellow	Yellow	Yellow	No
CalSTRS - Watts	19646	Yellow	Yellow	Yellow	No
CalPERS - UP	3540816164	Yellow	Yellow	Yellow	No
CalPERS - Watts	1492319552	Yellow	Yellow	Yellow	No

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2022	2021	2020		
CalSTRS	\$ 757,711	\$ 738,336	\$ 789,899	65	No
CalPERS	596,815	477,951	473,359	43	No
Total	\$ 1,354,526	\$ 1,216,287	\$ 1,263,258	108	

CalSTRS:

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

For the fiscal year ended June 30, 2022, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 16.92% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2022, the State contributed \$486,243 (10.858% of certificated salaries) on behalf of the School.

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

CalPERS:

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, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7% of their salary and the 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 2021-22 was 22.91% of classified salaries. The Organization made contributions as noted above.

N. Upcoming Changes in Accounting Pronouncements

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

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2016-02 - <i>Leases (Topic 842)</i>	Feb-16	2022-23
FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill & Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
FASB Accounting Standards Update 2018-11 - <i>Leases Targeted Improvements (Topic 842)</i>	Jul-18	2022-23
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-14 - <i>Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)</i>	Aug-18	2022-23
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
FASB Accounting Standards Update 2018-20 - <i>Leases (Topic 842)</i>	Dec-18	2022-23
FASB Accounting Standards Update 2019-01 - <i>Leases (Topic 842)</i>	Mar-19	2022-23
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24
FASB Accounting Standards Update 2019-12 - <i>Income Taxes (Topic 740)</i>	Dec-19	2022-23
FASB Accounting Standards Update 2020-01 - <i>Investments (Topics 321, 323, and 815)</i>	Jan-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Revenue from Contracts with Customers (Topic 606)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Leases (Topic 842)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-08 - <i>Codification Improvements for Receivables (Topic 310-20)</i>	Oct-20	2022-23
FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-02 - <i>Franchisors Revenue (Topic 952-606)</i>	Jan-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Earnings Per Share (Topic 260)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Debt Modifications and Extinguishments (Topic 470-50)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Stock Compensation (Topic 718)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Derivatives and Hedging (Topic 815-40)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-05 - <i>Leases (Topic 842)</i>	Jul-21	2022-23
FASB Accounting Standards Update 2021-07 - <i>Stock Compensation (Topic 718)</i>	Oct-21	2022-23
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25
FASB Accounting Standards Update 2021-09 - <i>Leases (Topic 842)</i>	Nov-21	2022-23

New Designs Charter Schools
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2022

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2021-10 - <i>Government Assistance (Topic 832)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2022-01 - <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i>	Mar-22	2024-25
FASB Accounting Standards Update 2022-02 - <i>Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i>	Mar-22	2023-24
FASB Accounting Standards Update 2022-03 - <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	Jun-22	2025-26
FASB Accounting Standards Update 2022-04 - <i>Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations</i>	Sep-22	2023-24

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

Supplementary Information

New Designs Charter Schools
Consolidating Statement of Financial Position
June 30, 2022

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Home Office	Elimination	Total
Assets						
Cash and cash equivalents	\$ 4,738,341	\$ 1,912,256	\$ -	\$ -	\$ -	\$ 6,650,597
Operating investments	-	-	3,838,936	-	-	3,838,936
Accounts receivable	3,090,220	1,423,047	-	-	-	4,513,267
Accounts receivable - related entities	446,811	339,611	-	468,194	(1,254,616)	-
Prepaid expenses	284,033	48,102	-	-	-	332,135
Security deposits	200	25,567	-	-	-	25,767
Other assets cost of issuance	-	-	1,504,599	-	-	1,504,599
Property and equipment, net	3,275,708	382,956	37,342,544	-	-	41,001,208
Total Assets	<u>\$ 11,835,313</u>	<u>\$ 4,131,539</u>	<u>\$ 42,686,079</u>	<u>\$ 468,194</u>	<u>\$ (1,254,616)</u>	<u>\$ 57,866,509</u>
Liabilities and Net Assets						
Liabilities						
Accounts payable - vendors	\$ -	\$ -	\$ 348,780	\$ 468,194	\$ -	\$ 816,974
Accounts payable - related entities	1,029,873	55,196	453,772	-	(1,254,616)	284,225
Accounts payable - grantor government	616,623	216,442	-	-	-	833,065
Accrued payroll liabilities	143,113	160,942	-	-	-	304,055
Accrued vacation liability	34,897	13,886	-	-	-	48,783
Unearned revenue	1,524,486	681,635	-	-	-	2,206,121
Bonds and notes payable	-	-	41,291,449	-	-	41,291,449
Total Liabilities	<u>3,348,992</u>	<u>1,128,101</u>	<u>42,094,001</u>	<u>468,194</u>	<u>(1,254,616)</u>	<u>45,784,672</u>
Net Assets						
Without donor restrictions						
Undesignated	5,210,613	2,620,478	592,078	-	-	8,423,169
Invested in property and equipment, net of related debt	3,275,708	382,956	-	-	-	3,658,664
	<u>8,486,321</u>	<u>3,003,434</u>	<u>592,078</u>	<u>-</u>	<u>-</u>	<u>12,081,833</u>
With donor restrictions						
Restricted for state programs	-	4	-	-	-	4
	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total Net Assets	<u>8,486,321</u>	<u>3,003,438</u>	<u>592,078</u>	<u>-</u>	<u>-</u>	<u>12,081,837</u>
Total Liabilities and Net Assets	<u>\$ 11,835,313</u>	<u>\$ 4,131,539</u>	<u>\$ 42,686,079</u>	<u>\$ 468,194</u>	<u>\$ (1,254,616)</u>	<u>\$ 57,866,509</u>

New Designs Charter Schools

Consolidating Statement of Activities

June 30, 2022

	New Designs University Park		New Designs Watts		University Park and Watts LLC	Home Office	Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	
Revenue, Support, and Gains								
Local Control Funding Formula (LCFF) sources								
State aid	\$ 3,528,519	\$ -	\$ 1,624,296	\$ -	\$ -	\$ -	\$ -	\$ 5,152,815
Education protection account state aid	2,495,502	-	867,096	-	-	-	-	3,362,598
Transfers in lieu of property taxes	2,344,273	-	864,855	-	-	-	-	3,209,128
Total LCFF sources	<u>8,368,294</u>	<u>-</u>	<u>3,356,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,724,541</u>
Federal contracts and grants	-	4,669,138	-	2,261,484	-	-	-	6,930,622
State contracts and grants	845,161	1,529,967	540,772	554,686	-	-	-	3,470,586
Local contracts and grants	150,701	-	27,830	-	49,973	-	-	228,504
Donations and fundraising	19,403	-	645	-	-	-	-	20,048
Rental income	-	-	-	-	3,038,897	-	(3,038,897)	-
Interest income	-	-	-	-	2,271	-	-	2,271
Net assets released from restriction -								
Grant restrictions satisfied	<u>6,337,154</u>	<u>(6,337,154)</u>	<u>2,919,142</u>	<u>(2,919,142)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>15,720,713</u>	<u>(138,049)</u>	<u>6,844,636</u>	<u>(102,972)</u>	<u>3,091,141</u>	<u>-</u>	<u>(3,038,897)</u>	<u>22,376,572</u>
Expenses and Losses								
Program services expense	11,831,117	-	5,269,772	-	722,632	-	(3,038,897)	14,784,624
Supporting services expense	3,410,568	-	1,619,034	-	2,258,337	-	-	7,287,939
Total expenses and losses	<u>15,241,685</u>	<u>-</u>	<u>6,888,806</u>	<u>-</u>	<u>2,980,969</u>	<u>-</u>	<u>(3,038,897)</u>	<u>22,072,563</u>
Change in Net Assets	479,028	(138,049)	(44,170)	(102,972)	110,172	-	-	304,009
Net Assets, Beginning of Year	<u>8,007,293</u>	<u>138,049</u>	<u>3,047,604</u>	<u>102,976</u>	<u>481,906</u>	<u>-</u>	<u>-</u>	<u>11,777,828</u>
Net Assets, End of Year	<u>\$ 8,486,321</u>	<u>\$ -</u>	<u>\$ 3,003,434</u>	<u>\$ 4</u>	<u>\$ 592,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,081,837</u>

New Designs Charter Schools
Consolidating Statement of Functional Expenses
June 30, 2022

	New Designs University Park		New Designs Watts		University Park and Watts LLC		Combined Total
	Program Services	Supporting Services	Program Services	Supporting Services	Program Services	Supporting Services	
	Educational Programs	Management and General	Educational Programs	Management and General	Educational Programs	Management and General	
Salaries and Wages	\$ 3,233,796	\$ 1,834,655	\$ 1,599,792	\$ 944,538	\$ -	\$ -	\$ 7,612,781
Pension expense	571,268	324,102	288,702	170,453	-	-	1,354,525
Other employee benefits	325,314	184,564	169,282	99,946	-	-	779,106
Payroll taxes	162,401	92,136	83,604	49,361	-	-	387,502
Fees for services:							
Management	-	244,080	-	103,920	-	-	348,000
Legal	-	138,908	-	33,813	-	-	172,721
Audit	-	19,580	-	5,410	-	-	24,990
Professional consulting	1,552,090	-	905,332	-	15,500	-	2,472,922
District oversight	-	86,926	-	33,832	-	-	120,758
Banking and service charges	-	31,860	-	13,216	-	-	45,076
Advertising and promotion	102,054	-	145,026	-	-	-	247,080
Office expenses	519,684	-	281,721	-	-	-	801,405
Information technology	92,553	-	24,891	-	-	-	117,444
Amortization	-	-	-	-	-	61,474	61,474
Occupancy	2,627,202	-	561,572	-	-	-	3,188,774
Travel	13,954	-	25	-	-	-	13,979
Conferences, conventions, and meetings	32,923	-	9,895	-	-	-	42,818
Debt service interest	-	61,159	-	-	-	2,196,863	2,258,022
Depreciation	320,974	-	72,866	-	707,132	-	1,100,972
Insurance	-	388,191	-	164,545	-	-	552,736
Other expenses:							
Books and supplies	1,416,438	-	730,892	-	-	-	2,147,330
Noncapitalized equipment	549,140	-	234,998	-	-	-	784,138
Equipment rental and repair	98,705	-	48,156	-	-	-	146,861
Special education encroachment	159,448	-	62,860	-	-	-	222,308
Student events	53,173	-	50,158	-	-	-	103,331
Miscellaneous	-	4,407	-	-	-	-	4,407
Total expenses by function	<u>\$ 11,831,117</u>	<u>\$ 3,410,568</u>	<u>\$ 5,269,772</u>	<u>\$ 1,619,034</u>	<u>\$ 722,632</u>	<u>\$ 2,258,337</u>	<u>\$ 25,111,460</u>

New Designs Charter Schools

LEA Organization Structure
Year Ended June 30, 2022

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

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

GOVERNING BOARD

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

ADMINISTRATION

Paul Okaiteye
Chief Executive Office

Samuel Kyerematen
Director of Business Services

New Designs Charter Schools
 Schedule of Average Daily Attendance
 Year Ended June 30, 2022

New Designs Charter School University Park

	Second Period Report		Annual Report	
	Original 7F60BF90	Revised N/A	Original 5A96AB1A	Revised N/A
Classroom Based Attendance				
Grades 4-6	98.61	N/A	98.13	N/A
Grades 7-8	252.30	N/A	249.53	N/A
Grades 9-12	348.05	N/A	346.50	N/A
Total Classroom Based Attendance	698.96	N/A	694.16	N/A
Non-Classroom Based Attendance				
Grades 4-6	5.23	N/A	5.38	N/A
Grades 7-8	6.29	N/A	6.66	N/A
Grades 9-12	11.41	N/A	11.69	N/A
Total Non-Classroom Based Attendance	22.93	N/A	23.73	N/A
Total ADA	721.89	N/A	717.89	N/A

New Designs Charter School Watts

	Second Period Report		Annual Report	
	Original A59B4EDE	Revised N/A	Original 10667EA7	Revised N/A
Classroom Based Attendance				
Grades 4-6	11.90	N/A	11.88	N/A
Grades 7-8	36.89	N/A	36.99	N/A
Grades 9-12	174.79	N/A	176.54	N/A
Total Classroom Based Attendance	223.58	N/A	225.41	N/A
Non-Classroom Based Attendance				
Grades 4-6	1.74	N/A	1.80	N/A
Grades 7-8	9.55	N/A	9.18	N/A
Grades 9-12	38.14	N/A	37.51	N/A
Total Non-Classroom Based Attendance	49.43	N/A	48.49	N/A
Total ADA	273.01	N/A	273.90	N/A

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

New Designs Charter Schools

Schedule of Instructional Time

Year Ended June 30, 2022

New Designs Charter School University Park

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
6th Grade	54,000	65,940	0	65,940	179	0	179	Complied
7th Grade	54,000	65,940	0	65,940	179	0	179	Complied
8th Grade	54,000	65,940	0	65,940	179	0	179	Complied
9th Grade	64,800	65,220	0	65,220	179	0	179	Complied
10th Grade	64,800	65,220	0	65,220	179	0	179	Complied
11th Grade	64,800	65,220	0	65,220	179	0	179	Complied
12th Grade	64,800	65,220	0	65,220	179	0	179	Complied

New Designs Charter School Watts

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
6th Grade	54,000	67,081	0	67,081	179	0	179	Complied
7th Grade	54,000	67,081	0	67,081	179	0	179	Complied
8th Grade	54,000	67,081	0	67,081	179	0	179	Complied
9th Grade	64,800	66,505	0	66,505	179	0	179	Complied
10th Grade	64,800	66,505	0	66,505	179	0	179	Complied
11th Grade	64,800	66,505	0	66,505	179	0	179	Complied
12th Grade	64,800	66,505	0	66,505	179	0	179	Complied

See Accompanying Notes to Supplementary Information

New Designs Charter Schools
Schedule of Financial Trends & Analysis
Year Ended June 30, 2022

New Designs Charter School University Park

	Budget 2023	2022	2021	2020
Revenues	\$ 14,519,348	\$ 15,582,664	\$ 14,021,558	\$ 13,231,928
Expenses	13,919,348	15,290,281	12,387,268	13,149,651
Change in Net Assets	600,000	292,383	1,634,290	122,441
Ending Net Assets	\$ 9,037,725	\$ 8,437,725	\$ 8,145,342	\$ 6,511,052
Unrestricted Net Assets	\$ 9,037,725	\$ 8,437,725	\$ 8,007,293	\$ 6,511,052
Unrestricted net assets as a percentage of total expenses	64.93%	55.18%	64.64%	49.97%
Total Long Term Debt	\$ -	\$ -	\$ -	\$ -
ADA at P2	787	722	N/A	847

The School's ending net assets has increased by \$1,926,673 (29.59%) over the past two fiscal years. The increase is in large due to additional funding received as a result of the COVID-19 pandemic during those fiscal years.

Average daily attendance (ADA) has decreased by 125 over the past two years. As a result of the COVID-19 pandemic there was no reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2022-23 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$600,000 and ADA is projected to be 787 for the 2022-23 fiscal year.

New Designs Charter Schools
Schedule of Financial Trends & Analysis (Continued)
Year Ended June 30, 2022

New Designs Charter School Watts

	Budget 2023	2022	2021	2020
Revenues	\$ 6,091,519	\$ 6,741,664	\$ 6,455,254	\$ 6,302,972
Expenses	<u>5,791,519</u>	<u>6,887,256</u>	<u>5,544,838</u>	<u>6,114,015</u>
Change in Net Assets	<u>300,000</u>	<u>(145,592)</u>	<u>910,416</u>	<u>188,957</u>
Ending Net Assets	<u>\$ 3,304,988</u>	<u>\$ 3,004,988</u>	<u>\$ 3,150,580</u>	<u>\$ 2,240,164</u>
Unrestricted Net Assets	<u>\$ 3,304,988</u>	<u>\$ 3,004,984</u>	<u>\$ 3,047,604</u>	<u>\$ 2,234,194</u>
Unrestricted net assets as a percentage of total expenses	<u>57.07%</u>	<u>43.63%</u>	<u>54.96%</u>	<u>36.54%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>290</u>	<u>273</u>	<u>N/A</u>	<u>397</u>

The School's ending net assets has increased by \$764,824 (34.14%) over the past two fiscal years. The increase is in large due to additional funding received as a result of the COVID-19 pandemic during those fiscal years.

Average daily attendance (ADA) has decreased by 124 over the past two years. As a result of the COVID-19 pandemic there was no reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2022-23 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$300,000 and ADA is projected to be 290 for the 2022-23 fiscal year.

New Designs Charter Schools

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements
Year Ended June 30, 2022

New Designs Charter School University Park

June 30, 2022 annual financial alternative form net assets:	\$ 8,437,728
Adjustments and reclassifications:	
Rounding	<u>(3)</u>
Total adjustments and reclassifications	<u>(3)</u>
June 30, 2022 audited financial statements net assets:	<u>\$ 8,437,725</u>

New Designs Charter School Watts

June 30, 2022 annual financial alternative form net assets:	\$ 3,092,241
Adjustments and reclassifications:	
Understatement of accounts receivable	332,650
Overstatement of cash	(419,902)
Rounding	<u>(1)</u>
Total adjustments and reclassifications	<u>(87,253)</u>
June 30, 2022 audited financial statements net assets:	<u>\$ 3,004,988</u>

New Designs Charter Schools

Notes to Supplementary Information
Year Ended June 30, 2022

A. Purpose of Schedules

Consolidating Statement of Financial Position

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

Combining Statement of Activities

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

Combining Statement of Functional Expenses

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

LEA Organization Structure

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

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule provides the information necessary to determine if the Charter Schools have complied with Education Code §47612 & §47612.5 which require the following:

- 1) EC §47612: As a condition of apportionment 175 school days must be offered for traditional calendar. If a multi-track calendar is utilized, each track must offer 175 school days.
- 2) EC §47612.5: As a condition of apportionment the following annual instructional minutes must be offered:

• To pupils in Kindergarten	36,000 minutes
• To pupils in grades 1 to 3	50,400 minutes
• To pupils in grades 4 to 8	54,000 minutes
• To pupils in grades 9 to 12	64,800 minutes

New Designs Charter Schools
Notes to Supplementary Information (Continued)
Year Ended June 30, 2022

Compliance with Education Code §47612 involves offering a minimum number of annual instructional minutes as defined by grade level.

An LEA that closed due to a qualifying emergency in the 2021-22 fiscal year may submit a Form J-13A to avoid a penalty for not meeting the annual instructional day requirements. The School did not have an emergency closure and as such there are no credited days to account for on the Schedule of Instructional Time.

Schedule of Financial Trends & Analysis

This schedule displays summarized information from the current year and two previous years, along with budget information for the upcoming year. The information from this schedule is used to evaluate whether there are any financial indicators the School will not be able to continue operations in the next fiscal year. Based upon the information presented, the School appears to have sufficient reserves to continue operations for the 2022-23 fiscal year.

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

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

New Designs Charter Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Federal Expenditures
SPECIAL EDUCATION (IDEA) CLUSTER:				
U.S. Department of Education				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	\$ -	\$ 298,411
Total Special Education (IDEA) Cluster			<u>-</u>	<u>298,411</u>
CHILD NUTRITION CLUSTER:				
U.S. Department of Agriculture				
Passed through State Department of Education				
School Breakfast Program	10.553	13525	-	1,197,588
SNLP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.553	13523	-	146,015
Total Child Nutrition Cluster			<u>-</u>	<u>1,343,603</u>
OTHER PROGRAMS				
U.S. Department of Education				
Passed through State Department of Education				
Title I	84.010	14329	-	466,523
Title II	84.367	14341	-	80,318
Title III	84.365	14346	-	23,153
Title IV	84.424	15396	-	41,921
Governor's Emergency Education Relief Fund	84.425C	15517		22,648
CARES Act - Elementary & Secondary School Emergency Relief	84.425D	15536	-	174,517
CARES Act - Elementary & Secondary School Emergency Relief II	84.425D	15547	-	1,501,828
CARES Act - Elementary & Secondary School Emergency Relief III	84.425D	15559	-	3,057,205
Total passed through State Department of Education			<u>-</u>	<u>5,368,113</u>
Total U.S. Department of Education			<u>-</u>	<u>5,368,113</u>
Total Other Programs			<u>-</u>	<u>5,368,113</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 7,010,127</u>

Reconciliation of Revenues

As a result of additional pandemic expenditures, the Schools expended more for Title I expenditures than the federal revenue received. The Schools used unrestricted funds to cover costs associated with the Title I federal program in which expenditures were greater than the revenues.

The following schedule provides a reconciliation between revenues reported on the Statement of Activities and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

Total Federal Revenues on Statement of Activities	\$ 6,930,622
Plus: Expended in excess of program revenues for Title I	<u>79,505</u>
Total Federal Expenditures on Schedule of Expenditures of Federal Awards	<u>\$ 7,010,127</u>

New Designs Charter Schools

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Basis of Presentation

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

Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

The School did not charge indirect costs to federal programs.

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
New Designs Charter Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Designs Charter Schools (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Designs Charter Schools's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Designs Charter Schools's internal control. Accordingly, we do not express an opinion on the effectiveness of New Designs Charter Schools's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Designs Charter Schools’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
December 15, 2022

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

To the Board of Directors of
New Designs Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Designs Charter Schools's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of New Designs Charter Schools's major federal programs for the year ended June 30, 2022. New Designs Charter Schools's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Designs Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Designs Charter Schools's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about New Designs Charter Schools's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding New Designs Charter Schools's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Designs Charter Schools's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of New Designs Charter Schools's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

El Cajon, California
December 15, 2022

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

To the Board of Directors
New Designs Charter Schools

Report on Compliance for Applicable State Programs

Opinion on Each Applicable State Program

We have audited New Designs Charter Schools's compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 applicable to the Charter School's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, New Designs Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its applicable state programs for the year ended June 30, 2022.

Basis for Opinion on Each Applicable State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Designs Charter Schools's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists. In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with state laws and regulations applicable to the following items:

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about New Designs Charter Schools’s compliance with the requirements of each applicable state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding New Designs Charter Schools’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Designs Charter Schools’s internal control over state compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of New Designs Charter Schools’s internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the Charter School’s compliance with the state laws and regulations applicable to the following items:

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

N/A – The Charter School did not offer the program during the current fiscal year or the program applies to a different type of Local Education Agency.

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

Report on Internal Control over State Compliance

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

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

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

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

El Cajon, California
December 15, 2022

Auditor's Results, Findings & Recommendations

New Designs Charter Schools

Summary of Auditor's Results

Year Ended June 30, 2022

FINANCIAL STATEMENTS

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

FEDERAL PROGRAMS

Type of auditor's report issued on compliance for major programs:	Unmodified										
Internal control over major programs:											
One or more material weakness(es) identified?	_____ Yes <u> X </u> No										
One or more significant deficiencies identified that are not considered material weakness(es)?	_____ Yes <u> X </u> No										
Compliance supplement utilized for single audit	July 2021										
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	_____ Yes <u> X </u> No										
Identification of major programs:											
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">CFDA Number(s)</th> <th style="text-align: left; border-bottom: 1px solid black;">Name of Federal Program or Cluster</th> </tr> </thead> <tbody> <tr> <td>84.425D</td> <td>CARES Act - Elementary & Secondary School Emergency Relief</td> </tr> <tr> <td>84.425D</td> <td>CARES Act - Elementary & Secondary School Emergency Relief II</td> </tr> <tr> <td>84.425D</td> <td>CARES Act - Elementary & Secondary School Emergency Relief III</td> </tr> <tr> <td>84.425C</td> <td>Governor's Emergency Education Relief Fund</td> </tr> </tbody> </table>	CFDA Number(s)	Name of Federal Program or Cluster	84.425D	CARES Act - Elementary & Secondary School Emergency Relief	84.425D	CARES Act - Elementary & Secondary School Emergency Relief II	84.425D	CARES Act - Elementary & Secondary School Emergency Relief III	84.425C	Governor's Emergency Education Relief Fund	
CFDA Number(s)	Name of Federal Program or Cluster										
84.425D	CARES Act - Elementary & Secondary School Emergency Relief										
84.425D	CARES Act - Elementary & Secondary School Emergency Relief II										
84.425D	CARES Act - Elementary & Secondary School Emergency Relief III										
84.425C	Governor's Emergency Education Relief Fund										
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000										
Auditee qualified as low-risk auditee?	_____ <u> X </u> Yes _____ No										

STATE PROGRAMS

Type of auditor's report issued on compliance for state programs:	Unmodified
Internal control over applicable state programs:	
One or more material weakness(es) identified?	_____ Yes <u> X </u> No
One or more significant deficiencies identified that are not considered material weakness(es)?	_____ Yes <u> X </u> No
Any audit findings disclosed that are required to be reported in accordance with <i>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting?</i>	_____ Yes <u> X </u> No

New Designs Charter Schools
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the *2021-22 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting* (the Audit Guide). Finding codes as identified in the Audit Guide are as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

None

B. Federal Award Findings

None

C. State Award Findings

None

New Designs Charter Schools

Schedule of Prior Year Audit Findings

Year Ended June 30, 2022

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