

New Designs
Charter Schools
Charters #601, 1120

Audit Report

June 30, 2021



New Designs Charter School
Financial Statements and Supplemental Information
Year Ended June 30, 2021

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Independent Auditor's Report

To the Board of Directors of
New Designs Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of New Designs Charter School (the School), which comprise the consolidated statement of financial position as of June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *2020-21 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School'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 the School's internal control over financial reporting and compliance.

Wilkinson Hadley King + LLP

El Cajon, California
March 31, 2022

Financial Statements

New Designs Charter School
Consolidated Statement of Financial Position
June 30, 2021

Assets

Cash and cash equivalents	\$ 4,919,115
Operating investments	3,767,857
Accounts receivable	4,786,061
Prepaid expenses	183,913
Security deposits	25,567
Other assets cost of issuance	1,566,073
Property and equipment, net	<u>41,296,483</u>
Total Assets	<u><u>\$ 56,545,069</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 713,521
Accrued expense and related liabilities	212,555
Accounts payable - grantor government	190,474
Accrued vacation liability	95,829
Unearned revenue	1,464,024
Bonds & Notes payable	<u>42,090,838</u>
Total Liabilities	<u>44,767,241</u>

Net Assets

Without donor restrictions	
Undesignated	10,450,320
Invested in property and equipment, net of related debt	<u>1,086,483</u>
	<u>11,536,803</u>

With donor restrictions

Restricted for state programs	<u>792,345</u>
	<u>241,025</u>

Total Net Assets	<u>11,777,828</u>
Total Liabilities and Net Assets	<u><u>\$ 56,545,069</u></u>

The accompanying notes are an integral part of this statement.

New Designs Charter School

Consolidated Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 7,345,484	\$ -	\$ 7,345,484
Education protection account state aid	3,399,383	-	3,399,383
Transfers in lieu of property taxes	3,498,734	-	3,498,734
Total LCFF sources	<u>14,243,601</u>	<u>-</u>	<u>14,243,601</u>
Federal contracts and grants	-	3,207,062	3,207,062
State contracts and grants	968,735	1,985,373	2,954,108
Local contracts and grants	71,439	-	71,439
Donations	602	-	602
Interest income	30,299	-	30,299
Net assets released from restriction -	-	-	-
Grant restrictions satisfied	4,957,380	(4,957,380)	-
Total revenue, support, and gains	<u>20,272,056</u>	<u>235,055</u>	<u>20,507,111</u>
Expenses and Losses			
Program services expense	11,088,579	-	11,088,579
Supporting services expense	<u>6,698,634</u>	<u>-</u>	<u>6,698,634</u>
Total expenses and losses	<u>17,787,213</u>	<u>-</u>	<u>17,787,213</u>
Change in Net Assets	2,484,843	235,055	2,719,898
Net Assets, Beginning of Year (Note N)*	<u>9,051,960</u>	<u>5,970</u>	<u>9,057,930</u>
Net Assets, End of Year	<u>\$ 11,536,803</u>	<u>\$ 241,025</u>	<u>\$ 11,777,828</u>

*See Note N for a description of the adjustment to beginning net assets.

The accompanying notes are an integral part of this statement.

New Designs Charter School
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	<u>Educational Programs</u>	<u>Management and General</u>	
Salaries and Wages	\$ 5,093,132	\$ 2,165,877	\$ 7,259,009
Pension expense	854,301	361,987	1,216,288
Other employee benefits	540,661	231,135	771,796
Payroll taxes	175,965	74,804	250,769
Fees for services:			
Management	-	447,252	447,252
Legal	-	163,086	163,086
Audit	-	20,500	20,500
Professional consulting	728,486	536,003	1,264,489
District oversight	-	142,436	142,436
Banking and service charges	-	33,743	33,743
Advertising and promotion	82,682	-	82,682
Office expenses	208,282	-	208,282
Information technology	93,402	-	93,402
Royalties	61,474	-	61,474
Occupancy	336,577	-	336,577
Travel	4,183	-	4,183
Conferences, conventions, and meetings	14,084	-	14,084
Debt service interest	-	2,058,818	2,058,818
Depreciation	1,123,437	-	1,123,437
Insurance	-	401,664	401,664
Other expenses:			
Books and supplies	1,349,966	-	1,349,966
Equipment rental and repair	140,599	-	140,599
Student transportation	207,840	-	207,840
Student events	16,610	-	16,610
Miscellaneous	56,898	61,329	118,227
Total expenses by function	<u>\$ 11,088,579</u>	<u>\$ 6,698,634</u>	<u>\$ 17,787,213</u>

The accompanying notes are an integral part of this statement.

New Designs Charter School

Consolidated Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 16,351,418
Receipts from property taxes	3,498,734
Receipts from interest	30,299
Other cash receipts	602
Payments for salaries, benefits and payroll taxes	(9,819,528)
Payments to vendors	(5,074,830)
Net Cash Used For Operating Activities	<u>4,986,695</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(645,512)
Purchases of investments	(305,308)
Net Cash From Investing Activities	<u>(950,820)</u>
Cash Flows from Financing Activities	
Payments on bonds payable	(945,287)
Interest paid	(2,058,818)
Net Cash Used In Financing Activities	<u>(3,004,105)</u>
Net Change in Cash and Cash Equivalents	1,031,770
Cash and Cash Equivalents, Beginning of Year	<u>3,887,345</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,919,115</u>
Reconciliation of Change in Net Assets to Net Cash	
Used For Operating Activities	
Change in net assets	\$ 2,719,898
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	1,123,437
Debt interest paid	2,058,818
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	(2,280,556)
Prepaid expenses	(35,729)
Other assets cost of issuance	61,474
Increase (Decrease) in liabilities	
Accounts payable	6,521
Accrued expense and related liabilities	(417,495)
Accounts payable - grantor government	190,474
Accrued vacation liability	95,829
Unearned revenue	1,464,024
Net Cash Used For Operating Activities	<u>\$ 4,986,695</u>

The accompanying notes are an integral part of this statement.

New Designs Charter School

Notes to the Financial Statements

Year Ended June 30, 2021

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 830 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 359 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 Property Inc

University Park and Watts Property Inc (the Corporation) 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 Organization uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Basis of Consolidation

The accompanying financial statements include the accounts of New Designs Charter School University Park, New Designs Charter School Watts and New Designs Property Inc, a California limited liability company, of which the School is the sole member and a related organization. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Cash and Cash Equivalents

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

Accounts Receivable

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

Property and Equipment

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

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

Investments

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

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Revenue and Revenue Recognition

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

Donated Services and In-Kind Contributions

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

Advertising

Advertising costs are expensed as incurred and approximated \$1,569 during the year ended June 30, 2021.

Functional Allocation of Expenses

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

Income Taxes

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2021, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2021.

Estimates

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

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Financial Instruments and Credit Risk

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

LCFF Revenues and Payments in Lieu of Property Taxes

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the school, which is funding in lieu of property taxes, and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 67.64% of the School's revenue.

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

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 2020-21 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2017-11 - <i>Earnings Per Share (Topic 260)</i>	Jan-18
FASB Accounting Standards Update 2017-11 - <i>Distinguishing Liabilities from Equity (Topic 480)</i>	Jan-18
FASB Accounting Standards Update 2017-11 - <i>Derivatives and Hedging (Topic 815)</i>	Jan-18
FASB Accounting Standards Update 2019-05 - <i>Financial Instruments, Credit Losses (Topic 326)</i>	May-19
FASB Accounting Standards Update 2019-11 - <i>Codification Improvements to Financial Instruments, Credit Losses (Topic 326)</i>	Nov-19
FASB Accounting Standards Update 2020-03 - <i>Codification Improvements to Financial Instruments</i>	Mar-20
FASB Accounting Standards Update 2020-04 - <i>Reference Rate Reform (Topic 848)</i>	Mar-20
FASB Accounting Standards Update 2021-01 - <i>Reference Rate Reform (Topic 848)</i>	Jan-21
FASB Accounting Standards Update 2021-03 - <i>Intangibles Goodwill and Other (Topic 350)</i>	Mar-21

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

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

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through March 31, 2022, the date the financial statements were available to be issued.

B. Liquidity and Availability

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

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Total
Cash and cash equivalents	\$ 3,289,380	\$ 1,629,735	\$ -	\$ 4,919,115
Operating investments	-	-	3,767,857	3,767,857
Accounts receivable	3,250,099	1,535,962	-	4,786,061
Prepaid expenses	137,721	46,192	-	183,913
	<u>\$ 6,677,200</u>	<u>\$ 3,211,889</u>	<u>\$ 3,767,857</u>	<u>\$ 13,656,946</u>

C. Fair Value Measurement and Disclosures

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

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

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

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

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

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

A significant portion of the School's investment assets are classified within Level 1 because they comprise open end mutual funds with readily determinable fair values based on daily redemption values. The School invests in CDs traded in the financial markets and additionally has funds at the Los Angeles County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2021:

<u>Assets</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Operating investments:				
Cash in money market funds	\$ 3,767,857	\$ 3,767,857	\$ -	\$ -

D. Cash and Cash Equivalents

The School's cash and cash equivalents on June 30, 2021, consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>University Park and Watts LLC</u>	<u>Total</u>
Cash in bank accounts	\$ 3,289,380	\$ 1,629,735	\$ -	\$ 4,919,115
Cash in money market accounts	-		3,767,857	3,767,857
Total cash and cash equivalents	<u>\$ 3,289,380</u>	<u>\$ 1,629,735</u>	<u>\$ 3,767,857</u>	<u>\$ 8,686,972</u>

Cash Equivalents

The LLC maintains a portion of their funds in short term investments with maturities less than three months in length (\$3,767,857 as of June 30, 2019). 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.

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Cash in Bank

The School's cash, \$4,919,115, is held in financial institutions which are insured by the Federal Deposit Insurance School (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2021, the School held \$3,901,677 amount 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.

E. Accounts Receivable

As of June 30, 2021, The School's accounts receivable consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>Total</u>
Federal Government			
CAREs Act	\$ 275,702	\$ -	\$ 275,702
Child Nutrition	71,896	19,219	91,115
Title I	22,544	108,151	130,695
Other Federal Programs	22,742	8,648	31,390
State Government			
State Aid	2,312,359	1,106,577	3,418,936
Lottery Funding	121,474	56,948	178,422
SB740	263,185	120,383	383,568
After School Education and Safety	79,902	79,902	159,804
Other State Programs	5,896	1,551	7,447
Other Local Sources			
Other local sources	74,399	34,583	108,982
Total Accounts Receivable	<u>\$ 3,250,099</u>	<u>\$ 1,535,962</u>	<u>\$ 4,786,061</u>

F. Prepaid Expenses

As of June 30, 2021, the School's prepaid expenses consisted of the following:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>Total</u>
Service contracts	\$ 2,781	\$ 1,023	\$ 3,804
Software	41,315	12,633	53,948
Employee benefit reserve	19,000	-	19,000
Employee advance	-	125	125
Rent	8,057	2,600	10,657
Insurance	66,568	29,811	96,379
Total Prepaid Expenses	<u>\$ 137,721</u>	<u>\$ 46,192</u>	<u>\$ 183,913</u>

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

G. Property and Equipment

Property and equipment for New Designs University Park consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	\$ 1,586,361	\$ -	\$ -	\$ 1,586,361
Total Non-Depreciable Capital Assets	1,586,361	-	-	1,586,361
Depreciable Capital Assets				
Buildings and Improvements	\$ 2,933,950	\$ 670,352	\$ -	\$ 3,604,302
Equipment, Furniture, and Fixtures	482,802	-	-	482,802
Total Depreciable Capital Assets	3,416,752	670,352	-	4,087,104
Total Capital Assets	5,003,113	670,352	-	5,673,465
Less Accumulated Depreciation	(2,405,120)	(373,038)	-	(2,778,158)
Capital Assets, Net	\$ 2,597,993	\$ 297,314	\$ -	\$ 2,895,307

Property and equipment for New Designs Watts consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	\$ 173,815	\$ -	\$ -	\$ 173,815
Total Non-Depreciable Capital Assets	173,815	-	-	173,815
Depreciable Capital Assets				
Buildings and Improvements	\$ 962,209	\$ 12,799	\$ -	\$ 975,008
Equipment, Furniture, and Fixtures	163,981	-	-	163,981
Total Depreciable Capital Assets	1,126,190	12,799	-	1,138,989
Total Capital Assets	1,300,005	12,799	-	1,312,804
Less Accumulated Depreciation	(880,398)	(80,907)	-	(961,305)
Capital Assets, Net	\$ 419,607	\$ (68,108)	\$ -	\$ 351,499

Property and equipment for the University Park and Watts LLC consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 19,518,000	\$ -	\$ -	\$ 19,518,000
Work in Progress	724,342	-	724,342	-
Total Non-Depreciable Capital Assets	20,242,342	-	724,342	19,518,000
Depreciable Capital Assets				
Buildings and Improvements	\$ 20,489,611	\$ 724,342	\$ -	\$ 21,213,953
Total Depreciable Capital Assets	20,489,611	724,342	-	21,213,953
Total Capital Assets	40,731,953	724,342	724,342	40,731,953
Less Accumulated Depreciation	(1,975,145)	(707,132)	-	(2,682,277)
Capital Assets, Net	\$ 38,756,808	\$ 17,210	\$ 724,342	\$ 38,049,676

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Consolidated Property and equipment consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 19,518,000	\$ -	\$ -	\$ 19,518,000
Work in Progress	2,484,518	-	724,342	1,760,176
Total Non-Depreciable Capital Assets	<u>22,002,518</u>	<u>-</u>	<u>724,342</u>	<u>21,278,176</u>
Depreciable Capital Assets				
Buildings and Improvements	\$ 24,385,770	\$ 1,407,493	\$ -	\$ 25,793,263
Equipment, Furniture, and Fixtures	646,783	-	-	646,783
Total Depreciable Capital Assets	<u>25,032,553</u>	<u>1,407,493</u>	<u>-</u>	<u>26,440,046</u>
Total Capital Assets	47,035,071	1,407,493	724,342	47,718,222
Less Accumulated Depreciation	<u>(5,260,663)</u>	<u>(1,161,077)</u>	<u>-</u>	<u>(6,421,740)</u>
Capital Assets, Net	<u>\$ 41,774,408</u>	<u>\$ 246,416</u>	<u>\$ 724,342</u>	<u>\$ 41,296,482</u>

H. Unearned Revenue

As of June 30, 2021, unearned revenue consisted of the following:

	New Designs <u>University Park</u>	New Designs <u>Watts</u>
Unearned Revenue, beginning of period	\$ -	\$ -
Increases in deferred revenue due to cash received during the period	910,418	553,606
Decreases in deferred revenue due to performance obligations met during the period	-	-
Unearned Revenue, end of period	<u>\$ 910,418</u>	<u>\$ 553,606</u>
Federal Programs:		
Esser I	\$ -	\$ 38,774
Esser II	-	63,482
Other Federal	25,541	15,268
State Programs:		
In Person Instruction	112,681	77,331
Special Education	164,059	-
Lottery	-	29,434
Strong Workforce	274,933	166,434
Expanded Learning Opportunity	<u>333,204</u>	<u>162,883</u>
Total	<u>\$ 910,418</u>	<u>\$ 553,606</u>

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

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	\$ 40,210,000
Unamortized premium	<u>1,880,838</u>
	<u><u>\$ 42,090,838</u></u>

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 865,000	\$ 2,139,562	\$ 3,004,562
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>\$ 40,210,000</u>	<u>\$ 32,494,247</u>	<u>\$ 72,704,247</u>

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

J. 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 keep the following month's lease payment on deposit with the owners at all times. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases</u>
2022	\$ 1,887,262
2023	1,910,171
2024	1,930,618
2025	1,954,611
2026	1,974,616
2027-31	10,253,955
2032-36	10,977,352
2037-41	11,860,230
2042-46	7,153,855
Total minimum lease payments	<u>\$ 49,902,670</u>

Rent expense for the year ended June 30, 2021 totaled \$2,362,186.

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>
2022	538,556
2023	540,756
2024	539,188
2025	541,225
2026	541,354
2027-31	2,699,867
2032-36	2,702,065
2037-41	2,694,217
2042-44	1,521,783
Total minimum lease payments	<u>\$ 12,319,011</u>

Rent expense for the year ended June 30, 2021 totaled \$559,809.

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

K. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

	<u>New Designs University Park</u>	<u>New Designs Watts</u>
Restricted for state programs		
After School education and safety	\$ 138,049	\$ 102,976
Expanded learning opportunity	369,863	181,457
	<u>\$ 507,912</u>	<u>\$ 284,433</u>
 Total net assets with donor restrictions	 <u>\$ 507,912</u>	 <u>\$ 284,433</u>

L. Adjustment to Beginning Net Assets

The beginning net assets were adjusted for New Designs Charter School University Park and University Park and Watts LLC due to accounting errors in prior years.

	<u>New Designs University Park</u>	<u>New Designs Watts</u>	<u>University Park and Watts LLC</u>
Beginning net assets as of July 1, 2020	\$ 6,551,216	\$ 2,178,158	\$ 306,714
Adjustments to Beginning Net Assets			
Prior year error corrections	<u>(40,164)</u>	<u>62,006</u>	<u>-</u>
Total adjustments to beginning net assets	<u>(40,164)</u>	<u>62,006</u>	<u>-</u>
 Adjusted beginning net assets	 <u>\$ 6,511,052</u>	 <u>\$ 2,240,164</u>	 <u>\$ 306,714</u>

M. Employee Retirement System

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

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

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

The Schools participation in these plans for the fiscal year ended June 30, 2020, 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 2021, 2020 and 2019 is for the plan’s year-end at June 30, 2021, 2020 and 2019, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Period to Period Comparability:

New Designs Charter Schools decreased in CalSTRS contributions from 2018 to 2019 by 10% followed by an increase in 2020 of 13.51%. New Designs Charter Schools increased in CalPERS contributions from 2018 to 2019 by 19.48% followed by an additional increase in 2020 of 35.1%. The fluctuation was caused by a combination of fluctuating student population and the rising pension costs during the period.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
		2021	2020	2019	
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
	2021	2020	2019		
CalSTRS	\$ 738,336	\$ 789,899	\$ 695,906	79	No
CalPERS	477,951	473,359	350,364	44	No
Total	<u>\$ 1,216,287</u>	<u>\$ 1,263,258</u>	<u>\$ 1,046,270</u>	<u>123</u>	

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

CalSTRS:

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

For the fiscal year ended June 30, 2020, 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 16.15% 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, 2021 the State contributed \$132,738 (10.328% of certificated salaries plus an additional supplemental amount) on behalf of the School.

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 2020-21 was 19.721% of classified salaries. The Organization made contributions as noted above.

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

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 2017-12 - <i>Derivatives and Hedging (Topic 815)</i>	Aug-17	2021-22
FASB Accounting Standards Update 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
FASB Accounting Standards Update 2018-10 - <i>Codification Improvements to Topic 842 Leases</i>	Jul-18	2021-22
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 2018-15 - <i>Intangibles, Goodwill and Other, Internal Use Software (Topic 350-40)</i>	Aug-18	2021-22
FASB Accounting Standards Update 2018-16 - <i>Derivatives and Hedging (Topic 815)</i>	Oct-18	2021-22
FASB Accounting Standards Update 2018-17 - <i>Consolidation (Topic 810)</i>	Oct-18	2021-22
FASB Accounting Standards Update 2018-18 - <i>Collaborative Arrangements (Topic 808)</i>	Nov-18	2021-22
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 2019-02 - <i>Entertainment Film Costs (Topic 926-20)</i>	Mar-19	2021-22
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2019-10 - <i>Derivatives and Hedging (Topic 815)</i>	Nov-19	2021-22
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 2020-07 - <i>Not-For-Profit Entities (Topic 958)</i>	Sep-20	2021-22
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

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.

New Designs Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

O. COVID-19 Impact and Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the New Designs Charter Schools from March 16, 2020 and continuing into the Fall of the 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses were re-opened.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. New Designs Charter Schools established and followed a re-opening plan that they believe is providing a safe environment for the students and teachers.

The federal and state government have established temporary funding to assist in the additional costs that resulted from the COVID-19 pandemic. All California schools are eligible for these funds. Some funding provided as a result of COVID-19 is intended to be spent over multiple years. The School has taken all of the requirements of each funding source into consideration in preparation of budgets for upcoming years.

Supplementary Information

New Designs Charter School
Consolidating Statement of Financial Position
Year Ended June 30, 2021

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Home Office	Elimination	Total
Assets						
Cash and cash equivalents	\$ 3,289,380	\$ 1,629,735	\$ -	\$ -	\$ -	\$ 4,919,115
Operating investments	-	-	3,767,857	-	-	3,767,857
Accounts receivable	3,250,099	1,535,962	-	-	-	4,786,061
Accounts receivable - related entities	446,811	198,688	-	356,431	(1,001,930)	-
Prepaid expenses	137,721	46,192	-	-	-	183,913
Security deposits	-	25,567	-	-	-	25,567
Other assets cost of issuance	-	-	1,566,073	-	-	1,566,073
Property and equipment, net	2,895,307	351,500	38,049,676	-	-	41,296,483
Total Assets	<u>\$ 10,019,318</u>	<u>\$ 3,787,644</u>	<u>\$ 43,383,606</u>	<u>\$ 356,431</u>	<u>\$ (1,001,930)</u>	<u>\$56,545,069</u>
Liabilities and Net Assets						
Liabilities						
Accounts payable - vendors	\$ -	\$ -	\$ 357,090	\$ 356,431	\$ -	\$ 713,521
Accrued salaries and related liabilities	148,547	64,008	-	-	-	212,555
Accounts payable - grantor government	183,360	7,114	-	-	-	190,474
Accounts payable - related entities	548,158	-	453,772	-	(1,001,930)	-
Accrued vacation liability	83,493	12,336	-	-	-	95,829
Unearned revenue	910,418	553,606	-	-	-	1,464,024
Notes payable	-	-	42,090,838	-	-	42,090,838
Total Liabilities	<u>1,873,976</u>	<u>637,064</u>	<u>42,901,700</u>	<u>356,431</u>	<u>(1,001,930)</u>	<u>44,767,241</u>
Net Assets						
Without donor restrictions						
Undesignated	5,111,986	2,696,104	2,642,230	-	-	10,450,320
Invested in property and equipment, net of related debt	2,895,307	351,500	(2,160,324)	-	-	1,086,483
	<u>8,007,293</u>	<u>3,047,604</u>	<u>481,906</u>	<u>-</u>	<u>-</u>	<u>11,536,803</u>
With donor restrictions						
Restricted for state programs	507,912	284,433	-	-	-	792,345
	<u>138,049</u>	<u>102,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,025</u>
Total Net Assets	<u>8,145,342</u>	<u>3,150,580</u>	<u>481,906</u>	<u>-</u>	<u>-</u>	<u>11,777,828</u>
Total Liabilities and Net Assets	<u>\$ 10,019,318</u>	<u>\$ 3,787,644</u>	<u>\$ 43,383,606</u>	<u>\$ 356,431</u>	<u>\$ (1,001,930)</u>	<u>\$56,545,069</u>

See Accompanying Notes to Supplementary Information

New Designs Charter School

Consolidating Statement of Activities

Year Ended June 30, 2021

	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	\$ 4,817,635	\$ -	\$ 2,527,849	\$ -	\$ -	\$ -	\$ -	\$ 7,345,484
Education protection account state aid	2,356,415	-	1,042,968	-	-	-	-	3,399,383
Transfers in lieu of property taxes	2,381,517	-	1,117,217	-	-	-	-	3,498,734
Total LCFF sources	<u>9,555,567</u>	<u>-</u>	<u>4,688,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,243,601</u>
Federal contracts and grants	-	2,360,184	-	846,878	-	-	-	3,207,062
State contracts and grants	689,707	1,346,975	279,028	638,398	-	-	-	2,954,108
Local contracts and grants	69,030	-	2,409	-	-	-	-	71,439
Donations	95	-	507	-	-	-	-	602
Rental income	-	-	-	-	3,044,289	-	(3,044,289)	-
Interest income	-	-	-	-	30,299	-	-	30,299
Net assets released from restriction -								
Grant restrictions satisfied	3,569,110	(3,569,110)	1,388,270	(1,388,270)	-	-	-	-
Total revenue, support, and gains	<u>13,883,509</u>	<u>138,049</u>	<u>6,358,248</u>	<u>97,006</u>	<u>3,074,588</u>	<u>-</u>	<u>(3,044,289)</u>	<u>20,507,111</u>
Expenses and Losses								
Program services expense	9,310,326	-	3,981,964	-	840,578	-	(3,044,289)	11,088,579
Supporting services expense	3,076,942	-	1,562,874	-	2,058,818	-	-	6,698,634
Total expenses and losses	<u>12,387,268</u>	<u>-</u>	<u>5,544,838</u>	<u>-</u>	<u>2,899,396</u>	<u>-</u>	<u>(3,044,289)</u>	<u>17,787,213</u>
Change in Net Assets	1,496,241	138,049	813,410	97,006	175,192	-	-	2,719,898
Net Assets, Beginning of Year (Note N)*	<u>6,511,052</u>	<u>-</u>	<u>2,234,194</u>	<u>5,970</u>	<u>306,714</u>	<u>-</u>	<u>-</u>	<u>9,057,930</u>
Net Assets, End 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>

*See Note N for a description of the adjustment to beginning net assets.

See Accompanying Notes to Supplementary Information

New Designs Charter School
Consolidating Statement of Functional Expenses
Year Ended June 30, 2021

	New Designs University Park			New Designs Watts		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Educational Programs	Management and General		Educational Programs	Management and General	
Salaries and Wages	\$ 3,301,344	\$ 1,332,092	\$ 4,633,436	\$ 1,791,788	\$ 833,785	\$ 2,625,573
Pension expense	574,900	231,972	806,872	279,401	130,015	409,416
Other employee benefits	330,783	133,471	464,254	209,878	97,664	307,542
Payroll taxes	114,487	46,196	160,683	61,478	28,608	90,086
Fees for services:						
Management	-	311,347	311,347	-	135,905	135,905
Legal	-	134,004	134,004	-	29,082	29,082
Audit	-	13,600	13,600	-	6,900	6,900
Professional consulting	392,267	407,882	800,149	317,010	128,121	445,131
District oversight	-	95,554	95,554	-	46,882	46,882
Banking and service charges	-	23,017	23,017	-	10,726	10,726
Advertising and promotion	39,211	-	39,211	43,471	-	43,471
Office expenses	155,591	-	155,591	52,691	-	52,691
Information technology	80,515	-	80,515	12,887	-	12,887
Occupancy	217,215	-	217,215	119,362	-	119,362
Travel	4,183	-	4,183	-	-	-
Conferences, conventions, and meetings	8,900	-	8,900	5,184	-	5,184
Debt service interest	-	-	-	-	-	-
Depreciation	335,398	-	335,398	80,907	-	80,907
Insurance	-	293,751	293,751	-	107,913	107,913
Other expenses:						
Books and supplies	1,032,173	-	1,032,173	317,793	-	317,793
Equipment rental and repair	102,805	-	102,805	37,794	-	37,794
Special education encroachment	141,489	-	141,489	66,351	-	66,351
Student events	6,591	-	6,591	10,019	-	10,019
Miscellaneous	1,135	54,056	55,191	3,000	7,273	10,273
Total expenses by function	\$ 6,838,987	\$ 3,076,942	\$ 9,915,929	\$ 3,409,014	\$ 1,562,874	\$ 4,971,888

See Accompanying Notes to Supplementary Information

New Designs Charter School
Consolidating Statement of Functional Expenses (Continued)
Year Ended June 30, 2021

	University Park and Watts LLC			Program Services Educational Programs	Supporting Services Management and General	Combined Total
	Program Services	Supporting Services	Total			
	Educational Programs	Management and General	Total			
Salaries and Wages	\$ -	\$ -	\$ -	5,093,132	2,165,877	\$ 7,259,009
Pension expense	-	-	-	854,301	361,987	1,216,288
Other employee benefits	-	-	-	540,661	231,135	771,796
Payroll taxes	-	-	-	175,965	74,804	250,769
Fees for services:						
Management	-	-	-	-	447,252	447,252
Legal	-	-	-	-	163,086	163,086
Audit	-	-	-	-	20,500	20,500
Other fees - Professional consulting	19,209	-	19,209	728,486	536,003	1,264,489
Other fees - District oversight	-	-	-	-	142,436	142,436
Other fees - Banking and service charge	-	-	-	-	33,743	33,743
Advertising and promotion	-	-	-	82,682	-	82,682
Office expenses	-	-	-	208,282	-	208,282
Information technology	-	-	-	93,402	-	93,402
Amortization	61,474	-	61,474	61,474	-	61,474
Occupancy	-	-	-	336,577	-	336,577
Travel	-	-	-	4,183	-	4,183
Conferences, conventions, and meetings	-	-	-	14,084	-	14,084
Debt service interest	-	2,058,818	2,058,818	-	2,058,818	2,058,818
Depreciation	707,132	-	707,132	1,123,437	-	1,123,437
Insurance	-	-	-	-	401,664	401,664
Other expenses:						
Books and supplies	-	-	-	1,349,966	-	1,349,966
Equipment rental and repair	-	-	-	140,599	-	140,599
Special education encroachment	-	-	-	207,840	-	207,840
Student events	-	-	-	16,610	-	16,610
Miscellaneous	52,763	-	52,763	56,898	61,329	118,227
Total expenses by function	\$ 840,578	\$ 2,058,818	\$ 2,899,396	\$ 11,088,579	\$ 6,698,634	\$ 17,787,213

See Accompanying Notes to Supplementary Information

New Designs Charter School

LEA Organization Structure

Year Ended June 30, 2021

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

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Lloyd McKinney	President	Three Year Term Expires June 2022
Sheldon Zaslansky	Treasurer	Three Year Term Expires June 2022
Derek Akrofi	Secretary	Three Year Term Expires June 2022
Diego Abba	Member	Three Year Term Expires June 2022
Kojo Essien	Member	Three Year Term Expires June 2022

ADMINISTRATION

Paul Okaiteye
Chief Executive Office

Samuel Kyerematen
Director of Business Services

New Designs Charter School

Schedule of Instructional Time

Year Ended June 30, 2021

New Designs Charter School University Park

<u>Grade Level</u>	<u>Minimum Daily Minutes Offered</u>	<u>Instructional Days Offered Multi-Track Calendar</u>	<u>J-13A Credited Days</u>	<u>Status</u>
6th Grade	240	180	N/A	Complied
7th Grade	240	180	N/A	Complied
8th Grade	240	180	N/A	Complied
9th Grade	270	180	N/A	Complied
10th Grade	270	180	N/A	Complied
11th Grade	270	180	N/A	Complied
12th Grade	270	180	N/A	Complied

New Designs Charter School Watts

<u>Grade Level</u>	<u>Minimum Daily Minutes Offered</u>	<u>Instructional Days Offered Multi-Track Calendar</u>	<u>J-13A Credited Days</u>	<u>Status</u>
6th Grade	240	180	N/A	Complied
7th Grade	240	180	N/A	Complied
8th Grade	240	180	N/A	Complied
9th Grade	270	180	N/A	Complied
10th Grade	270	180	N/A	Complied
11th Grade	270	180	N/A	Complied
12th Grade	270	180	N/A	Complied

See Accompanying Notes to Supplementary Information

New Designs Charter School
Schedule of Financial Trends & Analysis
Year Ended June 30, 2021

New Designs Charter School University Park

	Budget 2022	2021	2020	2019
Revenues	\$ 15,418,646	\$ 14,021,558	\$ 13,231,928	\$ 13,011,083
Expenses	<u>15,164,394</u>	<u>12,387,268</u>	<u>13,109,487</u>	<u>12,170,061</u>
Change in Net Assets	<u>254,252</u>	<u>1,634,290</u>	<u>122,441</u>	<u>841,022</u>
Ending Net Assets	<u>\$ 8,439,758</u>	<u>\$ 8,185,506</u>	<u>\$ 6,551,216</u>	<u>\$ 6,428,775</u>
Unrestricted Net Assets	<u>\$ 8,439,758</u>	<u>\$ 8,007,293</u>	<u>\$ 6,551,216</u>	<u>\$ 6,477,826</u>
Unrestricted net assets as a percentage of total expenses	<u>55.66%</u>	<u>64.64%</u>	<u>49.97%</u>	<u>53.23%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,933,366</u>
ADA at P2	<u>825</u>	<u>847</u>	<u>847</u>	<u>809</u>

University Park's ending net assets has increased by \$1,756,731 (27.33%) over the past two fiscal years. The significant increase is in large due to enrollment growth and additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2021-22 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$254,252 and ADA is projected to be 825 for the 2021-22 fiscal year.

New Designs Charter School
Schedule of Financial Trends & Analysis (Continued)
Year Ended June 30, 2021

New Designs Charter School Watts

	Budget 2022	2021	2020	2019
Revenues	\$ 7,035,089	\$ 6,455,254	\$ 6,302,972	\$ 6,457,882
Expenses	<u>6,796,665</u>	<u>5,544,838</u>	<u>6,114,015</u>	<u>5,745,579</u>
Change in Net Assets	<u>238,424</u>	<u>910,416</u>	<u>188,957</u>	<u>712,303</u>
Ending Net Assets	<u>\$ 3,326,998</u>	<u>\$ 3,088,574</u>	<u>\$ 2,178,158</u>	<u>\$ 1,989,201</u>
Unrestricted Net Assets	<u>\$ 3,326,998</u>	<u>\$ 3,047,604</u>	<u>\$ 2,172,188</u>	<u>\$ 2,028,839</u>
Unrestricted net assets as a percentage of total expenses	<u>48.95%</u>	<u>54.96%</u>	<u>35.53%</u>	<u>35.31%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>332</u>	<u>397</u>	<u>397</u>	<u>371</u>

Watts' ending net assets has increased by \$1,099,373 (55.27%) over the past two fiscal years. The significant increase is in large due to enrollment growth and additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2021-22 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$238,424 and ADA is projected to be 332 for the 2021-22 fiscal year.

New Designs Charter School

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2021

New Designs Charter School University Park

June 30, 2021 annual financial alternative form net assets:	\$ 8,185,511
Adjustments and reclassifications:	
Overstatement of cash	(18,392)
Understatement of prepaid expenses	18,870
Overstatement of other assets	(11,009)
Overstatement of fixed assets	(256,214)
Overstatement of accounts payable	(339,973)
Overstatement of other current loans	566,550
Rounding	(1)
Total adjustments and reclassifications	<u>(40,169)</u>
June 30, 2021 audited financial statements net assets:	<u>\$ 8,145,342</u>

New Designs Charter School Watts

June 30, 2021 annual financial alternative form net assets:	\$ 3,088,573
Adjustments and reclassifications:	
Understatement of accounts receivable	253,873
Overstatement of other assets	(191,726)
Understatement of accounts payable	(139)
Overstatement of unearned revenue	-
Total adjustments and reclassifications	<u>62,007</u>
June 30, 2021 audited financial statements net assets:	<u>\$ 3,150,580</u>

New Designs Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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	\$ -	\$ 254,976
Total Special Education (IDEA) Cluster			<u>-</u>	<u>254,976</u>
CHILD NUTRITION CLUSTER:				
U.S. Department of Agriculture				
Passed through State Department of Education				
National School Lunch Program	10.553	13523	-	189,317
Total Child Nutrition Cluster			<u>-</u>	<u>189,317</u>
CARES ACT/ESSER CLUSTER:				
U.S. Department of Education				
Passed through State Department of Education				
Governor's Emergency Education Relief Fund	84.425C	15517	-	37,614
CARES Act - Elementary & Secondary School Emergency Relief	84.425D	15536	-	327,893
CARES Act - Elementary & Secondary School Emergency Relief II	84.425D	15547	-	357,688
Total Child Nutrition Cluster			<u>-</u>	<u>723,195</u>
OTHER PROGRAMS				
U.S. Department of Education				
Passed through State Department of Education				
Title I	84.010	14329	\$ -	\$ 601,733
Title IV Student Support	84.424	15396	-	46,384
Title III	84.365	14346	-	11,669
Title II - Teacher Quality	84.367	14341	-	22,981
Total passed through State Department of Education			<u>-</u>	<u>682,767</u>
Total U.S. Department of Education			<u>-</u>	<u>1,660,938</u>
US DEPARTMENT OF TREASURY				
Passed through State Department of Education				
Coronavirus Relief Fund - Learning Loss Mitigation	21.019	25516	-	1,356,807
Total passed through State Department of Education			<u>-</u>	<u>1,356,807</u>
Total U.S. Department of Treasury			<u>-</u>	<u>1,356,807</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 3,207,062</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

New Designs Charter School

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 Organization 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 financial statements.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The Organization used an indirect cost rate of 5.25% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The Organization did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the Organization:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Title III	84.365	2.00%

Schoolwide Program

The Organization operates a “schoolwide program”. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the Organization in its schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$ 601,733

Personal Protection Equipment (PPE)

The School was not provided PPE during the 2020-21 year as part of the CARES act. PPE donated will be recorded at fair market value.

New Designs Charter School

Notes to Supplementary Information

Year Ended June 30, 2021

A. Purpose of Schedules

Consolidating Statement of Financial Position

This schedule provides a breakdown by entity of the statement of financial position.

Consolidating Statement of Activities

This schedule provides a breakdown by entity of the statement of activities.

Consolidating Statement of Functional Expenses

This schedule provides a breakdown by entity of the 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 Instructional Time

In addition, 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

Under Senate Bill 98 and Senate Bill 820, annual instructional minutes requirements were waived for the 2020-21 school year. For school districts and classroom-based charter schools, in order for a day to count as a day of instruction towards meeting the annual instructional day requirement, students must be scheduled to attend for the school day established by the local governing board and the school day must be equivalent to at least a minimum day of instruction as follows:

- 180 instructional minutes in TK/Kindergarten, continuation high schools, opportunity schools, and students concurrently enrolled in a community college.
- 230 instructional minutes in grades 1 to 3
- 240 minutes in grades 4 to 12

New Designs Charter School
Notes to Supplementary Information (Continued)
Year Ended June 30, 2021

As a result of the COVID-19 pandemic, the District and Charter Schools operated a portion of the year under distance learning and a portion of the year under in person classroom instruction.

Instructional time for distance learning is calculated based on the time value of synchronous and/or asynchronous instruction and assignments made by and certified by a certificated employee of the LEA. Instructional time for in-person instruction is calculated based on time scheduled under the immediate physical supervision and control of a certificated employee of the LEA.

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 2021-22 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.

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 School

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 the governmental activities and each major fund of New Designs Charter School (the School), as of and for the year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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.

Wilkinson Hadley King + LLP

El Cajon, California
March 31, 2022

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

To the Board of Directors
New Designs Charter Schools
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited New Designs Charter Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Designs Charter Schools' major federal programs for the year ended June 30, 2021. New Designs Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Designs Charter Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Designs Charter Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Designs Charter Schools' compliance.

Opinion on Each Major Federal Program

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, 2021.

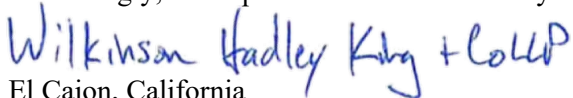
Report on Internal Control Over Compliance

Management of New Designs Charter Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Designs Charter Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Designs Charter Schools' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of 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
March 31, 2022

Independent Auditor's Report on State Compliance

To the Board of Directors
New Designs Charter School

Report on State Compliance

We have audited the New Designs Charter School's (the School) compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2021.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

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:

Description	Procedures Performed	
	New Designs University	New Designs Watts
Local Education Agencies Other Than Charter Schools		
A. Attendance and Distance Learning.....	Yes	Yes
B. Teacher Certification and Misassignments.....	N/A	N/A
C. Kindergarten Continuance.....	N/A	N/A
F. Instructional Time.....	N/A	N/A
G. Instructional Materials.....	N/A	N/A
H. Ratio of Administrative Employees to Teachers.....	N/A	N/A
I. Classroom Teacher Salaries.....	N/A	N/A
J. Early Retirement Incentive.....	N/A	N/A
K. Gann Limit Calculation.....	N/A	N/A
L. School Accountability Report Card.....	N/A	N/A
O. K-3 Grade Span Adjustment.....	N/A	N/A
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A	N/A
R. Comprehensive School Safety Plan.....	N/A	N/A
S. District of Choice.....	N/A	N/A
School Districts, County Offices of Education, and Charter Schools		
T. California Clean Energy Jobs Act.....	Yes	Yes
V. Proper Expenditure of Education Protection Account Funds.....	Yes	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes	Yes
Y. Independent Study - Course Based.....	N/A	N/A
Charter Schools		
AA. Attendance.....	Yes	Yes
BB. Mode of Instruction.....	Yes	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	N/A	N/A
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A	N/A
FF. Charter School Facility Grant Program.....	Yes	Yes

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

Opinion on State Compliance

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King + LLP

El Cajon, California

March 31, 2022

Auditor's Results, Findings & Recommendations

New Designs Charter School

Schedule of Auditor's Results

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Compliance supplement utilized for single audit August 2021

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund - Learning Loss Mitigation

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2020-21 Guide for Annual Audits of California K-12 Local Education Agencies?* Yes X No

Type of auditor's report issued on compliance for state programs: Unmodified

New Designs Charter School
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

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*, or the *2020-21 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 SCHOOL

Schedule of Prior Year Audit Findings

Year Ended June 30, 2021

Finding/Recommendation	Status	Explanation if Not Implemented
<p>2020-001 After School Education and Safety Program (40000)</p> <p>In our review of the ASES program we noted several discrepancies in granted attendance. This made us unable to determine if early release days were valid. We also could not locate the homeless priority policy</p> <p>We recommended that all ASES staff receive training on program requirements for granted attendance and that the school create new documentation that allows for easier compliance with the program.</p>	Implemented	N/A