WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

New Designs Charter Schools

Nonprofit Corporation

New Designs Charter School-University Park #0601

New Designs Charter School-Watts #1120

Financial Statements
June 30, 2025

https://whkcpa.com

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Independent Auditor's Report

To the Board of Directors
New Designs Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Designs Charter Schools (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, consolidated functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Designs Charter Schools as of June 30, 2025, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS 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.

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In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Designs Charter Schools' consolidated financial statements.

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* are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying consolidating financial statements and additional accompanying supplementary information, as identified in the Table of Contents and as required by the *2024-25 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards and additional 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Other Information section of the report, as identified in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026 on our consideration of the New Designs Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Designs Charter Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Designs Charter Schools' internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
January 29, 2026

Financial Statements

New Designs Charter Schools
Consolidated Statement of Financial Position
June 30, 2025

Assets	
Cash and cash equivalents	$ 6,146,421
Operating investments	15,173,595
Accounts receivable	4,369,147
Accounts receivable - related entities	475,207
Prepaid expenses	152,356
Security deposits	44,567
Other assets cost of issuance	2,228,729
Property and equipment, net	40,119,844
Right-of-use assets, operating leases	
Facilities and equipment	55,726,994
Accumulated amortization	(613,268)
Accrued rent	(315,180)
Total Assets	$ 123,508,412
Liabilities and Net Assets	
Liabilities	
Accounts payable - vendors	$ 1,385,958
Accounts payable - grantor government	723,376
Accrued payroll liabilities	558,083
Unearned revenue	739,994
Leases payable	54,798,688
Bonds payable	48,216,323
Total Liabilities	106,422,422
Net Assets	
Without donor restrictions	
Undesignated	25,178,820
Invested in property and equipment, net of related debt	(8,096,479)
	17,082,341
With donor restrictions	
Restricted for nutrition programs	3,649
	3,649
Total Net Assets	17,085,990
Total Liabilities and Net Assets	$ 123,508,412

New Designs Charter Schools
Consolidated Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	$ 7,708,109	$ -	$ 7,708,109
Education protection account state aid	3,151,609	-	3,151,609
Transfers in lieu of property taxes	3,906,373	-	3,906,373
Total LCFF sources	14,766,091	-	14,766,091
Federal contracts and grants	-	2,121,392	2,121,392
State contracts and grants	2,787,932	6,129,911	8,917,843
Local contracts and grants	160,346	10,267	170,613
Donations	4,556	1,000	5,556
Interest income	660,558	-	660,558
Net assets released from restriction -			
Grant restrictions satisfied	8,276,391	(8,276,391)	-
Total revenue, support, and gains	26,655,874	(13,821)	26,642,053
Expenses and Losses			
Program services expense	15,399,934	-	15,399,934
Supporting services expense	9,546,022	-	9,546,022
Total expenses and losses	24,945,956	-	24,945,956
Change in Net Assets	1,709,918	(13,821)	1,696,097
Net Assets, Beginning of Year	15,372,423	17,470	15,389,893
Net Assets, End of Year	$ 17,082,341	$ 3,649	$ 17,085,990

The accompanying notes are an integral part of this statement.

New Designs Charter Schools

Consolidated Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services	Supporting Services	
	Educational Programs	Management and General	Total
Salaries and wages	$ 5,843,966	$ 3,059,009	$ 8,902,975
Pension expense	1,435,576	749,592	2,185,168
Other employee benefits	837,739	433,678	1,271,417
Payroll taxes	221,408	116,286	337,694
Fees for services:			
Management	-	444,360	444,360
Legal	-	206,286	206,286
Audit	-	17,100	17,100
Professional consulting	2,018,776	881,493	2,900,269
District oversight	-	143,528	143,528
Banking and service charges	-	36,383	36,383
Advertising and promotion	-	286,842	286,842
Office expenses	309,762	-	309,762
Information technology	61,599	-	61,599
Occupancy	558,532	-	558,532
Travel	-	26,386	26,386
Conferences, conventions, and meetings	69,459	-	69,459
Debt service interest	-	2,458,985	2,458,985
Depreciation	987,270	-	987,270
Amortization	-	84,756	84,756
Insurance	-	467,253	467,253
Other expenses:			
Books and supplies	2,526,155	-	2,526,155
Dues and memberships	-	30,638	30,638
Noncapitalized equipment	58,352	-	58,352
Special education encroachment	216,112	-	216,112
Student events	255,228	-	255,228
Miscellaneous	-	103,447	103,447
Total expenses by function	$ 15,399,934	$ 9,546,022	$ 24,945,956

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	$ 21,082,278
Receipts from property taxes	3,906,373
Receipts from interest	660,558
Other cash receipts	5,556
Payments for salaries, benefits and payroll taxes	(12,413,599)
Payments to vendors	(11,808,170)
Net Cash Provided by Operating Activities	1,432,996
Cash Flows from Investing Activities	
Purchases of property and equipment	(1,068,815)
Purchases of investments	(350,733)
Net Cash Used for Investing Activities	(1,419,548)
Cash Flows from Financing Activities	
Payments on bonds & notes payable	(436,562)
Net Cash Used for Financing Activities	(436,562)
Net Change in Cash and Cash Equivalents	(423,114)
Cash and Cash Equivalents, Beginning of Year	6,569,535
Cash and Cash Equivalents, End of Year	$ 6,146,421
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities	
Change in net assets	$ 1,696,097
Adjustments to reconcile change in net assets to net cash:	
Depreciation	987,270
Amortization	84,756
Changes in operating assets and liabilities:	
(Increase) Decrease in assets	
Accounts receivable	756,053
Accounts receivable - related entities	(375,183)
Prepaid expenses	82,032
Other assets cost of issuance	68,261
Right-of-use assets, operating leases	(12,368,117)
Increase (Decrease) in liabilities	
Accounts payable - vendors	(49,572)
Accounts payable - related entities	(27,733)
Accounts payable - grantor government	(602,545)
Accrued payroll liabilities	283,655
Unearned revenue	(1,140,796)
Leases payable	12,038,818
Net Cash Provided by Operating Activities	$ 1,432,996

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

Organization

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. Due to the impact of the COVID-19 pandemic, the School received an approved charter term extension through June 30, 2027. The School currently serves approximately 760 students in 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 an initial five-year term beginning July 1, 2009. Due to the impact of the COVID-19 pandemic, the School received an approved charter term extension through June 30, 2027. The School commenced operations during the 2009-10 fiscal year and currently serves approximately 204 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 corporations. The Schools use the accrual basis of accounting, under which revenues are recognized when they are earned, and expenditures are recognized in the accounting period in which the liability is incurred.

Basis of Consolidation

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

Cash and Cash Equivalents

The Schools consider 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 receivable consist primarily of non-interest bearing amounts due to the Schools 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 Schools.

Property and Equipment

The Schools record 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 statement 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 Schools review 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, 2025.

Investments

The School's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments result in increases or decreases in unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying statement of activities. The School's policy is to follow the fair value measurement and reporting requirements contained in FASB ASC 820 *Fair Value Measurements and Disclosures*.

Prepaid Expenses

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

Leases

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

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

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

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

In evaluating contracts to determine if they qualify as a lease, the Schools consider factors such as whether they have obtained substantially all of the rights to the underlying asset through exclusivity, if the Schools can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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

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.

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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the School's program services, administrating, and fundraising and development 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. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2025.

Advertising

Advertising costs are expensed as incurred and approximated $286,842 during the year ended June 30, 2025.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Schools 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.

Revenue and Revenue Recognition

The Schools follow the provisions of FASB ASC 958-605 thereby recognizing revenue when applicable performance related barriers have been satisfied and the revenue is earned. A performance-related barrier represents something that must be achieved, performed or delivered in order to receive funds. Performance related barriers are required to be measurable, limit discretion by recipient on the conduct of the activity, and the stipulations are related to the purpose of the agreement or grant. When funds are received and performance-related barriers are not satisfied, the Schools record the funds as unearned revenue.

After the Schools have determined that performance related barriers have been satisfied, the revenue is recognized as either restricted or unrestricted based on the nature of the resources and conditions of the grantor. Restrictions on recognized revenue could constitute allowable uses of the resources that are narrower than the School's mission but are not considered performance-related barriers. Restricted resources are released from their restriction once the restricted purpose has been satisfied.

The Schools primarily receive funds from the California Department of Education (CDE). Local Control Funding Formula revenue and state revenues received from CDE are based on the School's average daily attendance (ADA) of students and recognized in the period the ADA occurs. In addition, the Schools receive state and local revenues for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies.

LCFF Revenues and Payments in Lieu of Property Taxes

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the Local Control Funding Formula (LCFF) on statewide charter school rates multiplied by the Schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the school, which is funding in lieu of property taxes, and education protection account funds paid by the state under Proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 55.42% of the School's revenue.

The LCFF includes the following components applicable to the Schools:

1. Provides a base grant for each school based on the school's ADA. The actual base grant varies based on grade span.
2. Provides an adjustment of 2.6 percent on the base grant amount for grades nine through twelve.
3. Provides a supplemental grant equal to 20 percent of the adjusted base grants for targeted disadvantaged students. Targeted students are those classified as English Learners (EL), eligible to receive a free or reduced-price meal (FRPM), foster youth, homeless youth, or any combination of these factors (unduplicated count).
4. Provides a concentration grant equal to 65 percent of the adjusted base grant for targeted students exceeding 55 percent of the school's enrollment.

The Schools are 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.

Income Taxes

The Schools are a 509(a)(1) publicly supported non-profit charter school that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The Schools are also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Schools may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2025, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Schools follow 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, 2025.

The Schools file informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

Financial Instruments and Credit Risk

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

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 2024-25 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2018-12 - *Financial Services Insurance (Topic 944)*	Aug-18
FASB Accounting Standards Update 2019-09 - *Financial Services, Insurance (Topic 944)*	Nov-19
FASB Accounting Standards Update 2020-06 - *Debt (Topic 470-20)*	Aug-20
FASB Accounting Standards Update 2020-06 - *Derivatives and Hedging (Topic 815-40)*	Aug-20
FASB Accounting Standards Update 2021-08 - *Business Combinations (Topic 805)*	Oct-21
FASB Accounting Standards Update 2022-01 - *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*	Mar-22
FASB Accounting Standards Update 2023-01 - *Leases (Topic 842): Common Control Arrangements*	Mar-23
FASB Accounting Standards Update 2023-05 - *Business Combinations - Joint Venture Formations (Subtopic 805-60)*	Aug-23
FASB Accounting Standards Update 2023-07 - *Segment Reporting (Topic 280)*	Nov-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 Schools have adopted provisions of effective Accounting Standards Updates. The issuance of these standards did not result in a presentation or accounting change that impacted these financial statements.

Subsequent Events

In preparing these financial statements, the Schools have evaluated events and transactions for potential recognition or disclosure through January 29, 2026, 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	$ 5,181,316	$ 965,105	$ -	$ 6,146,421
Operating investments	-	-	15,173,595	15,173,595
Accounts receivable	3,237,237	1,131,910	-	4,369,147
Accounts receivable - related entities	-	989,402	507,347	1,496,749
	$ 8,418,553	$ 3,086,417	$ 15,680,942	$ 27,185,912

C. Fair Value Measurement and Disclosures

The Schools report 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 Schools 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 School's assessment of the quality, risk, or liquidity profile of the asset or liability.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2025

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	$ 15,173,595	$ 15,173,595	$ -	$ -

D. Cash and Investments

The School's cash and cash equivalents on June 30, 2025, consisted of the following:

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Total
Cash in bank accounts	$ 5,181,316	$ 965,105	$ -	$ 6,146,421
Cash in money market accounts	-	-	15,173,595	15,173,595
Total cash and cash equivalents	$ 5,181,316	$ 965,105	$ 15,173,595	$ 21,320,016

Cash Equivalents

The LLC maintains their funds in short term investments with maturities less than three months in length ($15,173,595 as of June 30, 2025). These cash equivalents consist of United States Government Money Market Funds. These funds are not FDIC insured and are therefore exposed to custodial credit risk. The LLC does not anticipate any loses as a result of this risk. Cash may be added or withdrawn from the money market accounts without limitation.

Cash in Bank

The School's cash, ($6,146,421 as of June 30, 2025) 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, 2025, the Schools held $5,750,233 in excess of the FDIC insured amounts. The Schools reduce its exposure to risk by maintaining such deposits with high quality financial institutions. The Schools have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

E. Accounts Receivable

As of June 30, 2025, the School's accounts receivable consisted of the following:

	New Designs University Park	New Designs Watts	Total
Federal Government			
Special Education	$ 13,489	$ 3,536	$ 17,025
Child Nutrition	191,847	35,508	227,355
Other Federal Programs	23,406	15,490	38,896
State Government			
State Aid	344,061	130,253	474,314
Education Protection Account	1,340,602	298,269	1,638,871
Special Education	51,443	15,028	66,471
Lottery Funding	107,480	22,428	129,908
ASES	20,348	84,098	104,446
K-12 Strong Workforce	-	200,303	200,303
SB740	881,775	242,443	1,124,218
Child Nutrition	46,978	9,362	56,340
CalShape	-	17,617	17,617
Local Government			
Property Tax Payments	215,313	56,440	271,753
Other Local Sources			
Other Local Sources	495	1,135	1,630
Total Accounts Receivable	$ 3,237,237	$ 1,131,910	$ 4,369,147

F. Prepaid Expenses

As of June 30, 2025, the School's prepaid expenses consisted of the following:

	New Designs University Park	New Designs Watts	Total
Insurance, payroll and benefits	$ 5,003	$ 1,251	$ 6,254
Vendors	78,408	67,175	145,583
Maintenance lease	519	-	519
Total Prepaid Expenses	$ 83,930	$ 68,426	$ 152,356

G. **Property and Equipment**

Property and equipment for New Designs University Park consisted of the following at June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	$ 1,116,382	$ 817,018	$ -	$ 1,933,400
Total Non-Depreciable Capital Assets	1,116,382	817,018	-	1,933,400
Depreciable Capital Assets				
Buildings and Improvements	6,601,472	47,700	-	6,649,172
Equipment, Furniture, and Fixtures	580,580	106,520	-	687,100
Total Depreciable Capital Assets	7,182,052	154,220	-	7,336,272
Total Capital Assets	8,298,434	971,238	-	9,269,672
Less Accumulated Depreciation	(3,688,608)	(255,045)	-	(3,943,653)
Capital Assets, Net	$ 4,609,826	$ 716,193	$ -	$ 5,326,019

Property and equipment for New Designs Watts consisted of the following at June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	$ 208,040	$ 97,577	$ -	$ 305,617
Total Non-Depreciable Capital Assets	208,040	97,577	-	305,617
Depreciable Capital Assets				
Buildings and Improvements	1,391,631	-	-	1,391,631
Equipment, Furniture, and Fixtures	172,859	-	-	172,859
Total Depreciable Capital Assets	1,564,490	-	-	1,564,490
Total Capital Assets	1,772,530	97,577	-	1,870,107
Less Accumulated Depreciation	(1,168,899)	(36,090)	-	(1,204,989)
Capital Assets, Net	$ 603,631	$ 61,487	$ -	$ 665,118

Property and equipment for the University Park and Watts LLC consisted of the following at June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	$ 18,618,000	$ -	$ -	$ 18,618,000
Total Non-Depreciable Capital Assets	18,618,000	-	-	18,618,000
Depreciable Capital Assets				
Buildings and Improvements	20,884,053	-	-	20,884,053
Total Depreciable Capital Assets	20,884,053	-	-	20,884,053
Total Capital Assets	39,502,053	-	-	39,502,053
Less Accumulated Depreciation	(4,677,211)	(696,135)	-	(5,373,346)
Capital Assets, Net	$ 34,824,842	$ (696,135)	$ -	$ 34,128,707

Consolidated property and equipment consisted of the following at June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	$ 18,618,000	$ -	$ -	$ 18,618,000
Work in Progress	1,324,422	914,595	-	2,239,017
Total Non-Depreciable Capital Assets	19,942,422	914,595	-	20,857,017
Depreciable Capital Assets				
Buildings and Improvements	28,877,156	47,700	-	28,924,856
Equipment, Furniture, and Fixtures	753,439	106,520	-	859,959
Total Depreciable Capital Assets	29,630,595	154,220	-	29,784,815
Total Capital Assets	49,573,017	1,068,815	-	50,641,832
Less Accumulated Depreciation	(9,534,718)	(987,270)	-	(10,521,988)
Capital Assets, Net	$ 40,038,299	$ 81,545	$ -	$ 40,119,844

H. Unearned Revenue

At year end the Schools 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, 2025:

	New Designs University Park	New Designs Watts	Total
Unearned Revenue, beginning of period	$ 1,499,314	$ 381,476	$ 1,880,790
Increases in unearned revenue due to cash received during the period	725,680	317,869	1,043,549
Decreases in unearned revenue due to performance obligations met during the period	(1,623,314)	(561,031)	(2,184,345)
Unearned Revenue, end of period	$ 601,680	$ 138,314	$ 739,994

As of June 30, 2025, unearned revenue consisted of the following:

	New Designs University Park	New Designs Watts	Total
State Programs:			
Energy Consecration	$ -	$ 35,235	$ 35,235
A-G Access/Success	39,491	-	39,491
Educator Effectiveness	63,346	62,270	125,616
Prop 28	108,967	-	108,967
Kitchen Infrastructure	357,893	-	357,893
Ethnic Studies	10,406	6,162	16,568
Expanded Learning Opportunity	21,577	34,647	56,224
Total	$ 601,680	$ 138,314	$ 739,994

I. Leases

The Schools entered into multiple lease agreements for use of facilities and equipment. The components of the leases were as follows:

	New Designs University Park	New Designs Watts
Operating lease cost		
Amortization of right-of-use assets	$ 494,218	$ 101,194
Interest on lease liabilities	1,821,693	383,832
Total operating lease cost	2,315,911	485,026
Short-term lease cost	26,125	32,227
Total lease expense	$ 2,342,036	$ 517,253

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

	New Designs University Park	New Designs Watts
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 46,020,942	$ 9,706,052
Total	$ 46,020,942	$ 9,706,052
Weighted average remaining lease term:		
Operating leases	466 Months	466 Months
Weighted average discount rate:		
Operating leases	4.00%	4.00%

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

	New Designs University Park	New Designs Watts
Year Ended June 30,	Operating Leases	Operating Leases
2026	$ 2,312,428	$ 481,529
2027	2,307,179	480,737
2028	2,297,554	485,744
2029	2,286,850	496,394
2030	2,286,625	493,648
Thereafter	77,782,608	16,320,862
Total future minimum lease payments	89,273,244	18,758,914
Less imputed interest	(44,009,847)	(9,223,624)
Net future minimum lease payments	$ 45,263,398	$ 9,535,290

J. Bonds Payable

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.

On June 1, 2024, $32,085,000 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 6.50%. The debt service requirements are primarily payable from rental income collected from New Designs Charter Schools.

Principal amount	$ 47,405,000
Unamortized premium	811,323
	$ 48,216,323

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	420,000	2,364,113	2,784,113
2027	440,000	2,341,688	2,781,688
2028	465,000	2,318,187	2,783,187
2029	490,000	2,293,850	2,783,850
2030	510,000	2,270,212	2,780,212
2031-2035	2,945,000	10,956,725	13,901,725
2036-2040	3,750,000	10,160,188	13,910,188
2041-2045	4,770,000	9,137,237	13,907,237
2046-2050	6,085,000	7,825,250	13,910,250
2051-2055	7,760,000	6,144,000	13,904,000
2056-2060	9,905,000	4,000,250	13,905,250
2061-2064	9,865,000	1,263,250	11,128,250
	$ 47,405,000	$ 61,074,950	$ 108,479,950

K. Net Assets With Donor Restrictions

The New Designs Charter Schools receive 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, 2025, net assets were restricted for the following purposes:

	New Designs University Park	New Designs Watts
Restricted for nutrition programs:		
National School Lunch Program	$ -	$ 3,649
Total net assets with donor restrictions	$ -	$ 3,649

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2025.

	New Designs University Park	New Designs Watts
Beginning restricted net assets	$ -	$ 17,470
Restricted grants received	6,005,618	2,256,952
Net assets released from restriction:		
Restricted purpose satisfied	(6,005,618)	(2,270,773)
Ending restricted net assets	$ -	$ 3,649

L. Related Party Transaction

Related parties as defined by generally accepted accounting standards include:
1. Affiliates of the entity,
2. Management and members of their immediate families, or
3. Other parties that can significantly influence management or operating policies

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

The following represent related party accounts receivable at June 30, 2025:

Affiliated Organization	Receivable	Purpose	Repayment Term
University Park and Watts LLC	$ 96,973	Rent	Due within 90 days
Home Office	378,234	Pension expense	Due within 90 days
Total	$ 475,207		

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 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.

The School's participation in these plans for the fiscal year ended June 30, 2025, 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 2025, 2024 and 2023 is for the plan's year-end at June 30, 2025, 2024 and 2023, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Period to Period Comparability:

New Designs Charter Schools increased in CalSTRS contributions from 2023 to 2024 by 53.90% followed by an increase in 2025 of 2.69%. New Designs Charter Schools increased in CalPERS contributions from 2023 to 2024 by 4.78% followed by an increase in 2025 of 27.69%. The increase in CalSTRS and CalPERS contributions were in large due to rising contribution rates along with an increase in salaries, increasing contributions further.

		Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status
Pension Fund	EIN/ Pension Plan Number	2025	2024	2023	Pending/ Implemented
CalSTRS - UP	19645	Green	Green	Green	No
CalSTRS - Watts	19646	Green	Green	Green	No
CalPERS - UP	3540816164	Green	Yellow	Yellow	No
CalPERS - Watts	1492319552	Green	Yellow	Yellow	No

	Contributions			Number	Surcharge
Pension Fund	2025	2024	2023	of	Imposed
CalSTRS	$ 1,301,581	$ 1,267,545	$ 823,600	80	No
CalPERS	883,586	691,973	660,386	63	No
Total	$ 2,185,167	$ 1,959,518	$ 1,483,986	143	

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, 2025, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their membership date. The employer contribution rate was 19.10% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2025 the State contributed $392,742 (10.828% of certificated salaries) on behalf of the School.

CalPERS:

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

Active plan members are required to contribute between 7% and 8%, depending on their membership date. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2024-25 was 27.05% of classified salaries. The School 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 2020-10 - *Codification Improvements*	Nov-20	2025-26
FASB Accounting Standards Update 2022-03 - *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*	Jun-22	2025-26
FASB Accounting Standards Update 2022-05 - *Financial Services - Insurance (Topic 944): Transition for Sold Contracts*	Dec-22	2025-26
FASB Accounting Standards Update 2023-02 - *Investments (Topic 323): Accounting for Investments in Tax Credit Structures*	Mar-23	2025-26
FASB Accounting Standards Update 2023-08 - *Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60)*	Dec-23	2025-26
FASB Accounting Standards Update 2023-09 - *Income Taxes (Topic 740)*	Dec-23	2026-27
FASB Accounting Standards Update 2024-01 - *Compensation - Stock Compensation (Topic 718)*	Mar-24	2026-27
FASB Accounting Standards Update 2024-02 - *Codification Improvements - Amendments to Remove References to the Concepts Statements*	Mar-24	2026-27
FASB Accounting Standards Update 2024-03 - *Income Statement - Reporting Comprehensive Income-Expense Disaggregation Disclosures*	Nov-24	2027-28
FASB Accounting Standards Update 2024-04 - *Debt with Conversion and Other Options*	Nov-24	2026-27
FASB Accounting Standards Update 2025-01 - *Income Statement - Reporting Comprehensive Income-Expense Disaggregation Disclosures*	Jan-25	2027-28
FASB Accounting Standards Update 2025-02 - *Liabilities Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*	Mar-25	2025-26
FASB Accounting Standards Update 2025-03 - *Business Combinations and Consolidation*	May-25	2027-28
FASB Accounting Standards Update 2025-04 - *Stock Compensation and Revenue from Contracts with Customers*	May-25	2027-28
FASB Accounting Standards Update 2025-05 - *Measurement of Credit Losses for Accounts Receivable and Contract Assets*	Jul-25	2026-27
FASB Accounting Standards Update 2025-06 - *Intangibles - Goodwill and Other Internal Use Software*	Sep-25	2028-29

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 Schools.

Supplementary Information

New Designs Charter Schools
Consolidating Statement of Financial Position
Year Ended June 30, 2025

	New Designs University Park	New Designs Watts	University Park and Watts LLC	Home Office	Elimination	Total
Assets						
Cash and cash equivalents	$ 5,181,316	$ 965,105	$ -	$ -	$ -	$ 6,146,421
Operating investments	-	-	15,173,595	-	-	15,173,595
Accounts receivable	3,237,237	1,131,910	-	-	-	4,369,147
Accounts receivable - related entities	-	989,402	507,347	381,358	(1,402,900)	475,207
Prepaid expenses	83,930	68,426	-	-	-	152,356
Security deposits	19,000	25,567	-	-	-	44,567
Other assets cost of issuance	-	-	2,228,729	-	-	2,228,729
Property and equipment, net	5,326,019	665,118	34,128,707	-	-	40,119,844
Right-of-use assets, operating leases						
Facilities and equipment	46,020,942	9,706,052	-	-	-	55,726,994
Accumulated amortization	(512,074)	(101,194)	-	-	-	(613,268)
Accrued rent	(245,614)	(69,566)	-	-	-	(315,180)
Total Assets	$ 59,110,756	$ 13,380,820	$ 52,038,378	$ 381,358	$ (1,402,900)	$ 123,508,412
Liabilities and Net Assets						
Liabilities						
Accounts payable - vendors	$ 742,029	$ 249,456	$ 394,019	$ 454	$ -	$ 1,385,958
Accounts payable - related entities	1,321,310	-	-	81,590	(1,402,900)	-
Accounts payable - grantor government	505,154	218,222	-	-	-	723,376
Accrued payroll liabilities	196,349	62,420	-	299,314	-	558,083
Unearned revenue	601,680	138,314	-	-	-	739,994
Leases payable	45,263,398	9,535,290	-	-	-	54,798,688
Bonds payable	-	-	48,216,323	-	-	48,216,323
Total Liabilities	48,629,920	10,203,702	48,610,342	381,358	(1,402,900)	106,422,422
Net Assets						
Without donor restrictions						
Undesignated	5,154,817	2,508,351	17,515,652	-	-	25,178,820
Invested in property and equipment, net of related debt	5,326,019	665,118	(14,087,616)	-	-	(8,096,479)
	10,480,836	3,173,469	3,428,036	-	-	17,082,341
With donor restrictions						
Restricted for nutrition programs	-	3,649	-	-	-	3,649
	-	3,649	-	-	-	3,649
Total Net Assets	10,480,836	3,177,118	3,428,036	-	-	17,085,990
Total Liabilities and Net Assets	$ 59,110,756	$ 13,380,820	$ 52,038,378	$ 381,358	$ (1,402,900)	$ 123,508,412

See accompanying notes to supplementary information.

New Designs Charter Schools
Consolidating Statement of Activities
Year Ended June 30, 2025

	New Designs University Park		New Designs Watts		University Park and Watts LLC	Home Office	Elimination	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Total
Revenue, Support, and Gains								
Local Control Funding Formula (LCFF) sources								
State aid	$ 6,069,283	$ -	$ 1,638,826	$ -	$ -	$ -	$ -	$ 7,708,109
Education protection account state aid	2,546,064	-	605,545	-	-	-	-	3,151,609
Transfers in lieu of property taxes	3,115,291	-	791,082	-	-	-	-	3,906,373
Total LCFF sources	11,730,638	-	3,035,453	-	-	-		14,766,091
Federal contracts and grants	-	1,680,476	-	440,916	-		-	2,121,392
State contracts and grants	2,290,669	4,325,142	497,263	1,804,769	-	-	-	8,917,843
Local contracts and grants	160,346	-	-	10,267	-	-	-	170,613
Donations and fundraising	4,556	-	-	1,000	-	-	-	5,556
Rental income	-	-	-	-	3,025,084	-	(3,025,084)	-
Interest income	-	-	-	-	660,558	-	-	660,558
Net assets released from restriction -								
Grant restrictions satisfied	6,005,618	(6,005,618)	2,270,773	(2,270,773)	-	-	-	-
Total revenue, support, and gains	20,191,827	-	5,803,489	(13,821)	3,685,642	-	(3,025,084)	26,642,053
Expenses and Losses								
Program services expense	13,048,296	-	4,638,429	-	738,293	-	(3,025,084)	15,399,934
Supporting services expense	5,426,849	-	1,480,877	-	2,638,296	-	-	9,546,022
Total expenses and losses	18,475,145	-	6,119,306	-	3,376,589	-	(3,025,084)	24,945,956
Change in Net Assets	1,716,682	-	(315,817)	(13,821)	309,053	-	-	1,696,097
Net Assets, Beginning of Year	8,764,154	-	3,489,286	17,470	3,118,983	-	-	15,389,893
Net Assets, End of Year	$ 10,480,836	$ -	$ 3,173,469	$ 3,649	$ 3,428,036	$ -	$ -	$ 17,085,990

New Designs Charter Schools
Consolidating Statement of Functional Expenses
Year Ended June 30, 2025

	New Designs University Park		New Designs Watts		University Park and Watts LLC			
	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	Elimination	Combined Total
Salaries and wages	$ 4,172,546	$ 2,396,895	$ 1,671,420	$ 662,114	$ -	$ -	$ -	$ 8,902,975
Pension expense	1,014,579	582,819	420,997	166,773	-	-	-	2,185,168
Other employee benefits	571,028	328,024	266,711	105,654	-	-	-	1,271,417
Payroll taxes	160,273	92,068	61,135	24,218	-	-	-	337,694
Fees for services:								
Management	-	340,722	-	103,638	-	-	-	444,360
Legal	-	186,630	-	19,656	-	-	-	206,286
Audit	-	13,680	-	3,420	-	-	-	17,100
Professional consulting	1,303,015	692,082	693,432	189,411	22,329	-	-	2,900,269
District oversight	-	113,915	-	29,613	-	-	-	143,528
Banking and service charges	-	25,798	-	10,585	-	-	-	36,383
Advertising and promotion	-	179,156	-	107,686	-	-	-	286,842
Office expenses	233,399	-	76,363	-	-	-	-	309,762
Information technology	53,741	-	7,858	-	-	-	-	61,599
Occupancy	2,347,164	-	621,211	-	19,829	-	(2,429,672)	558,532
Travel	-	25,882	-	504	-	-	-	26,386
Conferences, conventions, and meetings	61,591	-	7,868	-	-	-	-	69,459
Debt service interest	-	8,597	-	295	-	2,450,093	-	2,458,985
Depreciation	255,045	-	36,090	-	696,135	-	-	987,270
Amortization	494,218	-	101,194	-	-	84,756	(595,412)	84,756
Insurance	-	416,474	-	50,779	-	-	-	467,253
Other expenses:								
Books and supplies	2,015,591	-	510,564	-	-	-	-	2,526,155
Dues and memberships	-	24,107	-	6,531	-	-	-	30,638
Noncapitalized equipment	26,125	-	32,227	-	-	-	-	58,352
Special education encroachment	172,450	-	43,662	-	-	-	-	216,112
Student events	167,531	-	87,697	-	-	-	-	255,228
Miscellaneous	-	-	-	-	-	103,447	-	103,447
Total expenses by function	$ 13,048,296	$ 5,426,849	$ 4,638,429	$ 1,480,877	$ 738,293	$ 2,638,296	$ (3,025,084)	$ 24,945,956

Additional Supplementary Information

New Designs Charter Schools
Schedule of Average Daily Attendance
Year Ended June 30, 2025

New Designs Charter School University Park

	Second Period Report		Annual Report	
	Original 1521541B	See Finding 2025-002	Original 470ECE1E	See Finding 2025-002
Classroom Based Attendance				
Grades 4-6	86.58	86.58	86.16	86.16
Grades 7-8	223.57	223.57	222.02	222.02
Grades 9-12	416.90	415.00	415.50	413.60
Total Classroom Based Attendance	727.05	725.15	723.68	721.78
Total ADA	727.05	725.15	723.68	721.78

New Designs Charter School Watts

	Second Period Report		Annual Report	
	Original 3F75C1FF	See Finding 2025-002	Original 2437158C	See Finding 2025-002
Classroom Based Attendance				
Grades 4-6	12.20	12.20	11.92	11.92
Grades 7-8	54.72	53.46	52.90	51.64
Grades 9-12	117.16	114.64	115.77	113.25
Total Classroom Based Attendance	184.08	180.30	180.59	176.81
Total ADA	184.08	180.30	180.59	176.81

New Designs Charter Schools
Schedule of Instructional Time
Year Ended June 30, 2025

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	71,395	0	71,395	179	0	179	Complied
7th Grade	54,000	71,395	0	71,395	179	0	179	Complied
8th Grade	54,000	71,395	0	71,395	179	0	179	Complied
9th Grade	64,800	64,895	0	64,895	179	0	179	Complied
10th Grade	64,800	64,895	0	64,895	179	0	179	Complied
11th Grade	64,800	64,895	0	64,895	179	0	179	Complied
12th Grade	64,800	64,895	0	64,895	179	0	179	Complied

*New Designs Charter School University Park did not submit a request for a J-13A emergency waiver of instructional minutes or days.

New Designs Charter School Watts

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes*	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days*	Total Instructional Days	Status
6th Grade	54,000	65,130	0	65,130	179	0	179	Complied
7th Grade	54,000	65,130	0	65,130	179	0	179	Complied
8th Grade	54,000	65,130	0	65,130	179	0	179	Complied
9th Grade	64,800	65,130	0	65,130	179	0	179	Complied
10th Grade	64,800	65,130	0	65,130	179	0	179	Complied
11th Grade	64,800	65,130	0	65,130	179	0	179	Complied
12th Grade	64,800	65,130	0	65,130	179	0	179	Complied

*New Designs Charter School Watts did not submit a request for a J-13A emergency waiver of instructional minutes or days.

New Designs Charter School University Park

	Budget 2026 (See Note 1)	2025	2024 (See Note 1)	2023 (See Note 1)
Revenues	$ 17,217,895	$ 20,191,827	$ 17,302,211	$ 16,289,457
Expenses	16,777,048	18,475,145	17,045,181	16,268,654
Change in Net Assets	440,847	1,716,682	257,030	20,803
Ending Net Assets	$ 10,921,683	$ 10,480,836	$ 8,764,154	$ 8,507,124
Unrestricted Net Assets	$ 10,921,683	$ 10,480,836	$ 8,764,154	$ 8,459,359
Unrestricted net assets as a percentage of total expenses	65.10%	56.73%	51.42%	52.00%
Total Long Term Debt	$ 44,751,872	$ 45,263,398	$ 35,482,803	$ 36,345,095
ADA at P2	723	725	745	692

The School's ending net assets has increased by $1,973,712 (23.20%) over the past two fiscal years. The increase is in large due to additional funding received as a result of the COVID-19 pandemic, increases in enrollment, and conservative fiscal practices.

Average daily attendance (ADA) has increased by 33 over the past two fiscal years.

Note 1:
AU-C §725.05 requires the following conditions be met to provide an opinion on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole:

1) The supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.
2) The supplementary information relates to the same period as the financial statements.
3) The auditor issued an audit report on the financial statements that contained neither an adverse opinion nor a disclaimer of opinion.
4) The supplementary information will accompany the audited financial statements or such audited financial statements will be made readily available by the School.

Three of the above columns are not related to the same period as the financial statements and as such we do not provide an opinion on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. Additionally, the analysis presented utilizes information from periods outside the period of the financial statements and as such we do not provide an opinion on whether the analysis is fairly stated, in all material respects, to the financial statements as a whole. The information has been presented for analysis only and has not been audited.

New Designs Charter School Watts

	Budget 2026 (See Note 1)	2025	2024 (See Note 1)	2023 (See Note 1)
Revenues	$ 5,141,487	$ 5,789,668	$ 5,964,538	$ 6,988,417
Expenses	5,011,273	6,119,306	5,824,977	6,624,660
Change in Net Assets	130,214	(329,638)	139,561	363,757
Ending Net Assets	$ 3,307,332	$ 3,177,118	$ 3,506,756	$ 3,367,195
Unrestricted Net Assets	$ 3,307,332	$ 3,173,469	$ 3,489,286	$ 3,347,009
Unrestricted net assets as a percentage of total expenses	66.00%	51.86%	59.90%	50.52%
Total Long Term Debt	$ 9,499,317	$ 9,535,290	$ 7,277,067	$ 7,476,684
ADA at P2	146	180	225	246

The School's ending net assets has decreased by $190,077 (5.64%) over the past two fiscal years. The decrease is in large due to declining enrollment.

Average daily attendance (ADA) has decreased by 66 over the past two fiscal years.

Note 1:
AU-C §725.05 requires the following conditions be met to provide an opinion on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole:

5) The supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.
6) The supplementary information relates to the same period as the financial statements.
7) The auditor issued an audit report on the financial statements that contained neither an adverse opinion nor a disclaimer of opinion.
8) The supplementary information will accompany the audited financial statements or such audited financial statements will be made readily available by the School.

Three of the above columns are not related to the same period as the financial statements and as such we do not provide an opinion on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. Additionally, the analysis presented utilizes information from periods outside the period of the financial statements and as such we do not provide an opinion on whether the analysis is fairly stated, in all material respects, to the financial statements as a whole. The information has been presented for analysis only and has not been audited.

New Designs Charter School University Park

June 30, 2025 unaudited actual financial report net assets:	$	10,390,175
Adjustments and reclassifications:		
Understatement of accounts receiveable		435,186
Understatement of lease assets		11,089,939
Understatement of accounts payable		(635,437)
Understatement of leases payable		(10,799,027)
Total adjustments and reclassifications		90,661
June 30, 2025 audited financial statements net assets:	$	10,480,836

New Designs Charter School Watts

June 30, 2025 unaudited actual financial report net assets:	$	3,159,361
Adjustments and reclassifications:		
Understatement of lease assets		2,543,445
Understatement of accounts payable		(29,817)
Understatement of leases payable		(2,495,870)
Rounding		(1)
Total adjustments and reclassifications		17,757
June 30, 2025 audited financial statements net assets:	$	3,177,118

A. Consolidating Statement of Financial Position

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

B. Consolidating Statement of Activities

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

C. Consolidating Statement of Functional Expenses

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

D. 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 by grade span and adjustments to the attendance as a result of an audit finding, when applicable.

E. Schedule of Instructional Time

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

Compliance with Education Code §47612 includes the following:

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

Compliance with Education Code §47612.5 involves offering a minimum number of annual instructional minutes as defined by grade level. Non-classroom based charters do not have a requirement for auditing/testing offered instructional minutes, as a result the offerings are not reported in the schedule of instructional time.

An LEA that closed due to a qualifying emergency in the 2024-25 fiscal year may submit a Form J-13A to avoid a penalty for not meeting the annual instructional minutes or 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.

F. Schedule of Financial Trends and 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 2025-26 fiscal year.

G. Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

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

New Designs Charter Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal AL 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	$ -	$ 234,838
Total Special Education (IDEA) Cluster			-	234,838
CHILD NUTRITION CLUSTER:				
U.S. Department of Agriculture				
Passed through State Department of Education				
School Breakfast Program	10.553	13525	-	410,900
National School Lunch Program	10.555	13396	-	796,754
Total Child Nutrition Cluster			-	1,207,654
OTHER PROGRAMS:				
U.S. Department of Education				
Passed through State Department of Education				
Child & Adult Care Food Program	10.558	13666	-	166,231
ESSA Title I Basic	84.010	14329	-	406,214
Title III - English Learner	84.365	14346	-	26,303
Title II - Supporting Effective Instruction	84.367	14341	-	46,152
Title IV - Student Support & Academic Enrichment	84.424	15396	-	34,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 2,121,392

See accompanying notes to schedule of expenditures of federal awards.

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Schools 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.

B. 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.

C. Indirect Cost Rate

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

Other Information

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.

The Board of Directors for the fiscal year ended June 30, 2025, was comprised of the following members:

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

Other Independent Auditor’s Reports

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Brian K. Hadley, CPA
Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

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 School's consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2026.

Report on 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on 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*.

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New Designs Charter School's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 & Co. LLP

El Cajon, California
January 29, 2026

WHK
WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

BRIAN K. HADLEY, CPA
AUBREY W. MANN, CPA
KEVIN A. SPROUL, CPA

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

To the Board of Directors
New Designs Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Designs Charter Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2025. The School'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, the School's complied, in all material respects, with the 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, 2025.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the 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 the School'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 the School's federal programs.

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Auditor's Responsibility 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 the School'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 GAAS, *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 the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the School'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 the School'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 the School'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 or significant deficiencies, 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.

Wilkinson Hadley King & Co. LLP

El Cajon, California
January 29, 2026

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

BRIAN K. HADLEY, CPA
AUBREY W. MANN, CPA
KEVIN A. SPROUL, CPA

Independent Auditor's Report on State Compliance and on Internal Controls over State Compliance

To the Board of Directors
New Designs Charter Schools

Report on Compliance for Applicable State Programs

Opinion on Each Applicable State Program

We have audited New Designs Charter Schools' compliance with the requirements specified in the *2024-25 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 School's statutory requirements identified below for the year ended June 30, 2025.

In our opinion, the 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 their applicable state programs for the year ended June 30, 2025.

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 *2024-25 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 the 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 the Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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The risk of not detecting material noncompliance resulting from fraud is higher than 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 the Schools' compliance with the requirements of each applicable state program as a whole.

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

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

		Procedures Performed	
		New Designs University	New Designs Watts
School Districts, County Offices of Education, and Charter Schools			
T.	Proposition 28 Arts & Music in Schools	Yes	Yes
U.	After/Before School Education and Safety Program	Yes	Yes
V.	Proper Expenditure of Education Protection Account Funds	Yes	Yes
W.	Unduplicated Local Control Funding Formula Pupil Counts	Yes	Yes
X.	Local Control and Accountability Plan	Yes	Yes
Y.	Independent Study - Course Based	N/A	N/A
Z.	Immunizations	No	No
AZ.	Educator Effectiveness	Yes	Yes
BZ.	Expanded Learning Opportunities Grant (ELO-G)	No	No
CZ.	Career Technical Education Incentive Grant	N/A	N/A
DZ.	Expanded Learning Opportunities Program (ELO-P)	Yes	Yes
EZ.	Transitional Kindergarten	N/A	N/A
FZ.	Kindergarten Continuance	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
EE.	Annual Instructional Minutes - Classroom Based	Yes	Yes
FF.	Charter School Facility Grant Program	Yes	Yes

N/A – The School did not offer the program during the current fiscal year or the requirement applied to a different type of LEA.

We did not perform procedures for Immunizations because the School did not appear on the California Department of Public Health list of LEAs that are subject to the audit of Immunizations.

We did not perform procedures for Expanded Learning Opportunities Grant (ELO-G) because ELO-G amounts were fully expended in prior years.

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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 and which are described in the accompanying schedule of findings and questioned costs as item 2025-002. Our opinion on each applicable state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over State Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any material weaknesses in internal control over compliance; however, material weaknesses may exist that were not identified.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

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.

Wilkinson Hadley King & Co. LLP

El Cajon, California
January 29, 2026

Auditor’s Results, Findings & Recommendations

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)?	X	Yes		No
Noncompliance material to financial statements noted?		Yes	X	No

FEDERAL AWARDS

Internal control over major federal 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	November 2025			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?		Yes	X	No

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

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

STATE AWARDS

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	X	No
One or more significant deficiencies identified that are not considered material weakness(es)?	X	Yes		No
Any audit findings disclosed that are required to be reported in accordance with *2024-25 Guide for Annual Audits of California K-12 Local Education Agencies?*	X	Yes		No

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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

Five Digit Code	AB 3627 Finding Type
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

Finding Number: 2025-001
Repeat Finding: Yes
Description: Year-End Closing Process
Finding Type: Internal Control (30000)

Criteria or Specific Requirements
Management is responsible for designing and implementing a system of internal controls over financial reporting that provides reasonable assurance that misstatements affecting the financial statements are prevented or detected and corrected through normal operating procedures. Financial controls best business practices should include proper procedures for identifying, reviewing, and accounting for all lease modifications, including extensions of lease terms, in accordance with FASB ASC 842, Leases. ASC 842 requires lessees to reassess and remeasure the lease liability and right-of-use asset when a lease is modified and the modification is not accounted for as a separate contract, such as when the lease term is extended.

Condition
During our audit, we identified the following condition which indicates that management or employees, in the normal course of performing their assigned functions, would not be able to prevent or detect and correct misstatements on a timely basis:

- The Schools did not account for a material extension of an existing lease term, resulting in the omission of the required remeasurement of the right-of-use asset and lease liability from the financial statements.

Cause
The Schools did not have adequate procedures in place to ensure that all lease modifications, including extensions, were identified, reviewed, and properly recorded in accordance with ASC 842 prior to closing the books and preparing the financial statements.

Effect
Material misstatements were not detected or corrected through normal operating procedures. The Schools are exposed to risk of material misstatements, whether due to error or fraud. Audit adjustments were required in order to present the financial statements in accordance with Generally Accepted Accounting Principles.

Context
This internal control deficiency resulted in the need for an audit adjustment to remeasure the right-of-use asset and lease liability for three leases whose terms were extended in accordance with ASC 842. The omission of this modification represent a significant deficiency in the entity's internal control over financial reporting.

Recommendation
We recommend the Schools take the following steps to remedy the significant deficiency in internal control:

- Establish procedures to ensure all lease modifications, including extensions, are identified, reviewed, and properly recorded in accordance with ASC 842 at the effective date of the modification.
- Implement review procedures over the accounting process to ensure timely identification and correction of misstatements related to lease modifications and other significant contractual changes.
- Provide training to accounting staff on the requirements of ASC 842, with a focus on lease modifications and the importance of timely remeasurement.

Views of Responsible Officials
See Corrective Action Plan

B. Federal Award Findings

None

C. State Award Findings

Finding Number:	2025-002
Repeat Finding:	Yes
Description:	Attendance Internal Control
Type of Finding:	Attendance (10000) Internal Control (30000)

Criteria or Specific Requirement
California charter schools must ensure that Average Daily Attendance (ADA) reported on the P2 and Annual reports to the California Department of Education (CDE) is supported by contemporaneous written records documenting all pupil attendance. ADA must be calculated by dividing the total number of pupil-days of attendance by the number of calendar days on which school was taught during the apportionment periods. No pupil may generate more than one day of attendance in a calendar day, and the number of calendar days used in the divisor must correspond to the school calendar. These requirements are outlined in Education Code Section 47612 and Title 5, California Code of Regulations Section 11960. The school must maintain accurate records to support all ADA reported for apportionment purposes

Condition
We tested 60 call log absences at each of the School's three campuses. At Watts campus, 9 absences were incorrectly marked as present (15% error rate). At UP campus, 3 absences were incorrectly marked as present (5% error rate).

Cause
The School's review procedures over attendance records did not detect and correct the misclassification of absences as present in the tested call logs at Watts and UP campuses.

Effect
Incorrectly marking students present when they should have been marked absent results in an overstatement of ADA reported for classroom-based instruction, which may lead to an overstatement of apportionment funding.

Context
The School's reported ADA at P2 and Annual for the affected grades at all three campuses. The extrapolated error rates were applied to the estimated total call logs for the year, resulting in a total questioned ADA of 5.68 at P2 and 5.68 at annual across Watts and UP campuses.

Potential Fiscal Impact
Should the state, after review of the facts and circumstances in the finding, determine that ADA should be disallowed as a result of this finding, the fiscal impact is considered apportionment significant to the organization. The potential fiscal impact is calculated as follows:

New Designs Charter School University Park

Grade Span	Derived Value of ADA	ADA Questioned at P2	ADA Questioned at Annual	Derived Value of ADA Questioned at P2
Grades 9 - 12	$ 16,860.69	1.90	1.90	$ 32,035.31
Total		1.90	1.90	$ 32,035.31

New Designs Charter School Watts

Grade Span	Derived Value of ADA	ADA Questioned at P2	ADA Questioned at Annual	Derived Value of ADA Questioned at P2
Grades 7 - 8	$ 14,382.63	1.26	1.26	$ 18,122.11
Grades 9 - 12	17,103.22	2.52	2.52	43,100.11
Total		3.78	3.78	$ 61,222.22

Recommendation
Implement a review process over attendance records to ensure that clerical errors do not result in loss of apportionment for the organization. After the audit report is accepted by the California State Controller's Office and within 30 days of receiving the certification letter, the organization should file for a Summary Review of the facts and circumstances for this audit finding. Under a Summary Review, the Education Audit Appeals Panel can take into consideration the facts and circumstances surrounding the noncompliance. In doing so, the Education Audit Appeals Panel can reduce or eliminate any fiscal impact if the facts and circumstances show substantial compliance or mitigating circumstances. If the organization does not file for Summary Review, or if the organization does not agree with the results of the Summary Review, it can file a formal appeal for the audit finding. No apportionment reductions will be assessed by the California Department of Education until such a time as the Summary Review or Appeal periods have elapsed.

Views of Responsible Officials
See Corrective Action Plan.

New Designs Charter Schools
1342 W. Adams Blvd
Los Angeles, CA 90007
Tel: (323) 730-0330
www.newdesignscharter.com

January 29, 2026

To Whom it May Concern:

The accompanying Corrective Action Plan has been prepared as required by the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Paul Okaiteye, CEO

Financial Statement Finding

Finding Number:	2025-001
Program Name:	Internal Control and Year End Closing Process
Contact Person:	Samuel Kyerematen
Anticipated Completion Date:	January 28, 2026

Planned Corrective Action:

Management has identified and corrected the omission related to the lease term extension noted in the finding. The applicable lease was reassessed in accordance with FASB ASC 842, and the right-of-use asset and corresponding lease liability were properly remeasured and recorded in the financial statements prior to audit issuance. The correction has been fully implemented and reflected in the final audited financial statements for the year ended June 30, 2025.

The issue resulted from insufficient formalized procedures to ensure that all lease modifications, including extensions, were consistently identified, reviewed, and communicated during the year-end closing process. Management has addressed this control gap.

To prevent recurrence, management has implemented enhanced internal control procedures to ensure all lease modifications, including extensions and amendments, are identified, reviewed, and properly evaluated in accordance with ASC 842 at the time they occur and prior to each reporting period close. The year-end closing checklists have been updated to include a specific review of lease agreements and contractual changes to ensure timely reassessment and remeasurement. Management has also implemented an additional level of review over lease accounting conclusions as part of the financial statement close process to ensure completeness and accuracy.

State Award Finding

Finding Number:	2025-002
Program Name:	Attendance Internal Control
Contact Person:	Samuel Kyerematen
Anticipated Completion Date:	February 28, 2026

Planned Corrective Action:

Management has reviewed the preliminary findings and acknowledges the discrepancies identified in attendance records versus reported data. Management is committed to fully resolving these issues.

Moving forward, the Management of New Designs Charter School will partner with Charter School Management Corporation (CSMC) for attendance verification and reporting, rather than handling these functions internally. This is to ensure stronger attendance reporting practices and oversight. We've identified areas where internal monitoring will be strengthened to ensure future attendance data is accurate and complete. Management will ensure that the attendance staff are trained accordingly and that new protocols are developed. We appreciate the opportunity to address these findings.

Finding/Recommendation	Status	Explanation if Not Implemented
Finding 2024-001 Year-End Closing Process Internal Control (30000) During our audit of cash we identified balances on each entity's books that did not agree to reconciliation amounts. When we inquired about the differences with the back office it was noted that the differences were the inter company transactions, but due to a new accounting system implementation, the end of year balances for intercompany payables and receivables were part of cash, which caused all three accounts to be incorrectly stated on the UARs submitted by the schools. While the net effect on the UARs was not material between the assets and liabilities the journal entries required to bring the intercompany accounts to the correct balances were material to each entity. It was recommended that the Schools implement monthly closing processes to ensure that distribution of due to/from is made against cash for each location. In addition, we recommend the Schools establish internal reviews to ensure processes are being followed and mitigate risk of misstatement for each individual school location.	Partially Implemented	See Finding 2025-001
Finding 2024-002 LCFF Unduplicated Pupil Counts State Compliance (40000) In our review of New Designs Charter School Watts FRPM eligibility applications, we identified 2 out of 14 tested that were collected after the October 31st, 2023 deadline for eligibility. An additional 2 FRPM applications were internally marked as denied. It was recommended that the School should establish a review process over CalPADS reporting to ensure errors are detected and corrected prior to final certification and submission of CalPADS reporting.	Implemented	