



# Ararat Charter School

Charter #1156

County of Los Angeles

Van Nuys, California

Audit Report

June 30, 2020



WILKINSON HADLEY  
KING & CO. LLP  
CPAs AND ADVISORS



**ARARAT CHARTER SCHOOL**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2020

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## **Independent Auditor's Report**

To the Board of Trustees of  
Ararat Charter School  
Van Nuys, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ararat Charter School (the School), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Ararat Charter School as of June 30, 2020, and the respective 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information identified in the table of contents, as required by the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of Ararat Charter School' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Wilkinson Hadley King + LLP*

El Cajon, California  
March 26, 2021

## Financial Statements

**ARARAT CHARTER SCHOOL**

Statement of Financial Position

June 30, 2020

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**Assets**

Cash and cash equivalents	\$ 3,541,209
Accounts receivable	456,712
Prepaid expenses	115,561
Property and equipment, net	<u>21,130</u>
Total Assets	<u><u>\$ 4,134,612</u></u>

**Liabilities and Net Assets**

Liabilities

Accounts payable	\$ 104,810
Accrued expenses and other liabilities	<u>67,051</u>
Total Liabilities	<u>171,861</u>

Net Assets

Without donor restrictions	
Undesignated	3,941,621
Invested in property and equipment, net of related debt	<u>21,130</u>
	<u>3,962,751</u>

Total Net Assets	<u>3,962,751</u>
Total Liabilities and Net Assets	<u><u>\$ 4,134,612</u></u>

The accompanying notes are an integral part of this statement.

**ARARAT CHARTER SCHOOL**Statement of Activities  
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 2,344,004	\$ -	\$ 2,344,004
Education protection account state aid	269,597	-	269,597
Transfers in lieu of property taxes	956,324	-	956,324
Total LCFF sources	<u>3,569,925</u>	<u>-</u>	<u>3,569,925</u>
Federal contracts and grants	-	250,720	250,720
State contracts and grants	82,820	201,596	284,416
Local contracts and grants	9,308	-	9,308
Donations and fundraising	2,191	-	2,191
Interest income	6,063	-	6,063
Net assets released from restriction -			
Grant restrictions satisfied	452,316	(452,316)	-
Total revenue, support, and gains	<u>4,122,623</u>	<u>-</u>	<u>4,122,623</u>
<b>Expenses and Losses</b>			
Program services expense	2,953,965	-	2,953,965
Supporting services expense	844,659	-	844,659
Total expenses and losses	<u>3,798,624</u>	<u>-</u>	<u>3,798,624</u>
<b>Change in Net Assets</b>	323,999	-	323,999
<b>Net Assets, Beginning of Year</b>	<u>3,638,752</u>	<u>-</u>	<u>3,638,752</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,962,751</u>	<u>\$ -</u>	<u>\$ 3,962,751</u>

The accompanying notes are an integral part of this statement.

**ARARAT CHARTER SCHOOL**  
Statement of Functional Expenses  
Year Ended June 30, 2020

	Program Services			Supporting Services		Total
	Educational Programs	Management and General	Fundraising and Development			
Salaries and Wages	\$ 1,194,050	\$ 383,820	\$ -	\$ -	\$ 1,577,870	
Pension expense	168,473	54,154	-	-	222,627	
Other employee benefits	287,448	92,398	-	-	379,846	
Payroll taxes	38,179	12,272	-	-	50,451	
Fees for services:						
Business Services	-	81,250	-	-	81,250	
Legal	-	7,105	-	-	7,105	
Accounting	-	8,834	-	-	8,834	
Professional consulting	1,995	15,117	-	-	17,112	
District oversight	-	35,699	-	-	35,699	
Banking and payroll services	-	35,891	-	-	35,891	
Marketing and recruitment	-	16,506	-	-	16,506	
Information technology	64,242	-	-	-	64,242	
Communication	46,010	-	-	-	46,010	
Occupancy	147,020	-	-	-	147,020	
Travel and conferences	19,238	-	-	-	19,238	
Operations and housekeeping	442	-	-	-	442	
Depreciation	8,442	-	-	-	8,442	
Insurance	-	33,945	-	-	33,945	
Other expenses:						
Books and supplies	372,020	-	-	-	372,020	
Equipment rental and repair	72,959	-	-	-	72,959	
Student transportation & field trips	16,890	-	-	-	16,890	
Special education contracts and encroachment	516,557	-	-	-	516,557	
Fundraising	-	-	24,654	-	24,654	
Miscellaneous	-	43,014	-	-	43,014	
Total expenses by function	2,953,965	820,005	24,654	-	3,798,624	
Total expenses included in the expense section on the statement of activities	\$ 2,953,965	\$ 820,005	\$ 24,654	\$ -	\$ 3,798,624	

The accompanying notes are an integral part of this statement.



**ARARAT CHARTER SCHOOL**

Statement of Cash Flows  
Year Ended June 30, 2020

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<b>Cash Flows from Operating Activities</b>	
Receipts from federal, state, and local contracts and grants	\$ 3,159,065
Receipts from property taxes	956,324
Receipts from donations and fundraising	2,191
Receipts from operating interest	6,063
Payments to employees for services provided	(2,163,743)
Payments to vendors	(1,650,499)
<b>Net Cash From Operating Activities</b>	<u>309,401</u>
<b>Net Change in Cash and Cash Equivalents</b>	309,401
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,231,808</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,541,209</u>
<b>Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities</b>	
Change in net assets	\$ 323,999
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	8,442
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	1,020
Prepaid expenses	(71,747)
Increase (Decrease) in liabilities	
Accounts payable	(19,364)
Accrued expenses and other liabilities	67,051
<b>Net Cash From Operating Activities</b>	<u>\$ 309,401</u>

The accompanying notes are an integral part of this statement.

**ARARAT CHARTER SCHOOL**

Notes to the Financial Statements

Year Ended June 30, 2020

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

*Organization*

Ararat Charter School (the School), is a nonprofit organization, organized in the State of California. The School's mission is to provide quality education to students in kindergarten through fifth grade. Ararat Charter School was formed as a charter school pursuant to California Education Code Section 47600 under a charter agreement with the Los Angeles Unified School District.

*Basis of Accounting*

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

*Cash and Cash Equivalents*

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

*Accounts Receivable*

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

*Property and Equipment*

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

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

## ARARAT CHARTER SCHOOL

Notes to the Financial Statements

Year Ended June 30, 2020

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### *Investments*

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

### *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 that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### *Revenue and Revenue Recognition*

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

### *Donated Services and In-Kind Contributions*

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

**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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*Advertising*

Advertising costs are expensed as incurred and approximated \$16,506 during the year ended June 30, 2020.

*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.

*Income Taxes*

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2020, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2020.

*Estimates*

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

*Financial Instruments and Credit Risk*

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

**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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*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 86.59% of the School's revenue.

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

*New Accounting Guidance*

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that became effective during the 2019-20 fiscal year:

1. FASB ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*
2. FASB ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*
3. FASB ASU 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*
4. FASB ASU 2016-04 *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products* (a consensus of the Emerging Issues Task Force).
5. FASB ASU 2016-08 *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).*
6. FASB ASU 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.*
7. FASB ASU 2016-12 *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.*
8. FASB ASU 2016-15 *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* (a consensus of the Emerging Issues Task Force).
9. FASB ASU 2016-16 *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*
10. FASB ASU 2016-20 *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.*
11. FASB ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business*
12. FASB ASU 2017-05 *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.*
13. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715): Improving Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.*
14. FASB ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*
15. FASB ASU 2018-09 *Codification Improvements*
16. FASB ASU 2020-04 *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting.*
17. FASB ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities.*

**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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 2019-20 fiscal year did not impact the financial accounting or presentation for the School.

*Subsequent Events*

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through March 26, 2021, the date the financial statements were available to be issued.

**B. Liquidity and Availability**

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:

Cash and cash equivalents	\$	3,541,209
Accounts receivable		456,712
		\$ 3,997,921

**C. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2020 consisted of the following:

Cash in bank accounts	\$	3,541,209
Total cash and cash equivalents		\$ 3,541,209

*Cash in Bank*

The School's cash (\$3,541,209 as of June 30, 2020) is held in financial institutions which are either insured by the Federal Deposit Insurance School (FDIC) up to a limit of \$250,000 per depositor or certain non-interest-bearing accounts that are fully insured by the FDIC. As of June 30, 2020, the School held \$2,988,005 in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

**D. Accounts Receivable**

As of June 30, 2020, accounts receivable consisted of the following:

Federal Government		
Title I	\$	47,480
Other Federal Programs		42,828
State Government		
State Aid		210,970
Lottery Funding		33,610
Facilities Incentive Grant		19,064
Special Education		5,709
Local Government		
Property tax payments		97,051
Total Accounts Receivable		\$ 456,712

**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

**E. Prepaid Expenses**

As of June 30, 2020, prepaid expenses consisted of the following:

Health and welfare benefits	\$	91,570
Dues, licenses, and subscriptions		23,782
Office supplies		209
<b>Total Prepaid Expenses</b>	<b>\$</b>	<b>115,561</b>

**F. Property and Equipment**

Property and equipment consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Equipment, Furniture, and Fixtures	\$ 62,755	\$ -	\$ -	\$ 62,755
<b>Total Depreciable Capital Assets</b>	<b>62,755</b>	<b>-</b>	<b>-</b>	<b>62,755</b>
Total Capital Assets	62,755	-	-	62,755
Less Accumulated Depreciation	(33,183)	(8,442)	-	(41,625)
<b>Capital Assets, Net</b>	<b>\$ 29,572</b>	<b>\$ (8,442)</b>	<b>\$ -</b>	<b>\$ 21,130</b>

**G. Employee Retirement System**

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

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

The Schools participation in these plans for the fiscal year ended June 30, 2020, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2020, 2019 and 2018 is for the plan's year-end at June 30, 2020, 2019 and 2018, 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.

**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

*Period to Period Comparability:*

Ararat Charter School increased in CalSTRS contributions from 2018 to 2019 by 15.12% followed by a decrease in 2020 of 6.15%. Ararat Charter School increased in CalPERS contributions from 2018 to 2019 by 53.89% followed by an additional increase in 2020 of 76.21%. The increase in 2018 & 2019 was in large due to rising contribution rates along with an increase in revenues that cause salaries to also rise, increasing contributions further. The increase in 2020 is attributed to an increase in number of employees.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
		2020	2019	2018	
CalSTRS	19024	Yellow	Yellow	Yellow	No
CalPERS	1558148176	Yellow	Yellow	Yellow	No

  

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2020	2019	2018		
CalSTRS	\$ 172,721	\$ 184,048	\$ 159,876	15	No
CalPERS	47,498	26,955	17,516	7	No
Total	\$ 220,219	\$ 211,003	\$ 177,392	22	

**CalSTRS:**

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

For the fiscal year ended June 30, 2020, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 17.10% 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, 2020 the State contributed \$96,104 (10.238% 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 7% of their salary and 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 2019-20 was 19.721% of classified salaries. The School made contributions as noted above.



**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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**H. 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:

1. FASB ASU 2016-02 *Leases (Topic 842)* – Effective Fiscal Year Ending June 30, 2022
2. FASB ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* – Effective Fiscal Year Ending June 30, 2024
3. FASB ASU 2017-04 *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* – Effective Fiscal Year Ending June 30, 2024
4. FASB ASU 2017-08 *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* – Effective Fiscal Year Ending June 30, 2021
5. FASB ASU 2017-11 *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope exception.* – Effective Fiscal Year Ending June 30, 2021
6. FASB ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* – Effective Fiscal Year Ending June 30, 2022
7. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842* – Effective Fiscal Year Ending June 30, 2022
8. FASB ASU 2018-07 *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share Based Payment Accounting.* – Effective Fiscal Year Ending June 30, 2021.
9. FASB ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* – Effective Fiscal Year Ending June 30, 2021
10. FASB ASU 2018-10 *Codification Improvements to Topic 842, Leases* – Effective Fiscal Year Ending June 30, 2022
11. FASB ASU 2018-11 *Leases (Topic 842): Targeted Improvements* – Effective Fiscal Year Ending June 30, 2022
12. FASB ASU 2018-12 *Financial Service – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* – Effective Fiscal Year Ending June 30, 2025
13. FASB ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* – Effective Fiscal Year Ending June 30, 2021
14. FASB ASU 2018-14 *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* – Effective Fiscal Year Ending June 30, 2023
15. FASB ASU 2018-15 *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a consensus of the FASB Emerging Issues Task Force)* – Effective Fiscal Year Ending June 30, 2022
16. FASB ASU 2018-16 *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* – Effective Fiscal Year Ending June 30, 2022
17. FASB ASU 2018-17 *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* – Effective Fiscal Year Ending June 30, 2021
18. FASB ASU 2018-18 *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* – Effective Fiscal Year Ending June 30, 2022
19. FASB ASU 2018-19 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024

**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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20. FASB ASU 2018-20 *Leases (Topic 842): Narrow Scope Improvements for Lessors* – Effective Fiscal Year Ending June 30, 2022
21. FASB ASU 2019-01 *Leases (Topic 842): Codification Improvements* – Effective Fiscal Year Ending June 30, 2022.
22. FASB ASU 2019-02 *Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the Emerging Issues Task Force* – Effective Fiscal Year Ending June 30, 2022
23. FASB ASU 2019-03 *Not-For-Profit Entities (Topic 958): Updating the Definition of Collections* – Effective Fiscal Year Ending June 30, 2021
24. FASB ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* – Effective Fiscal Year Ending June 30, 2021
25. FASB ASU 2019-05 *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief* – Effective Fiscal Year Ending June 30, 2021
26. FASB ASU 2019-08 *Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements – Share Based Consideration Payable to a Customer* – Effective Fiscal Year Ending June 30, 2021
27. FASB ASU 2019-09 *Financial Services – Insurance (Topic 944): Effective Date* – Effective Fiscal Year Ending June 30, 2025
28. FASB ASU 2019-10 *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* - Effective Fiscal Years Ending June 30, 2022 and June 30, 2024
29. FASB ASU 2019-11 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024
30. FASB ASU 2019-12 *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* – Effective Fiscal Year Ending June 30, 2024
31. FASB ASU 2020-01 *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force).* – Effective Fiscal Year Ending June 30, 2022
32. FASB ASU 2020-03 *Codification Improvements to Financial Instruments* – Effective Fiscal Years Ending June 30, 2021 and June 30, 2024

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

**ARARAT CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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**I. COVID-19 Impact and Considerations**

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Los Angeles Unified School District from March 16, 2020 and continuing into the Fall of 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses can be re-opened. At this point in time the Los Angeles Unified School District campuses remain closed until Los Angeles County meets the benchmark requirements.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. The Los Angeles Unified School District has established a re-opening plan that they believe will provide a safe environment for the students and teachers.

The federal and state government have provided schools with temporary funds to assist in the additional costs that resulted from the COVID-19 pandemic. Additionally, for the 2019-20 fiscal year, the state placed all school districts in a hold harmless state shifting attendance reporting periods to a point prior to the pandemic to prevent sudden losses of attendance from impacting funding for the 2019-20 fiscal year. Finally, funding for the 2020-21 fiscal year is frozen at amounts provided in 2019-20, with adjustments based on the Governor's budget. The Los Angeles Unified School District has established their 2020-21 budget with this in consideration.

## Supplementary Information

**ARARAT CHARTER SCHOOL**

Organization Structure  
Year Ended June 30, 2020

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Ararat Charter School (Charter #1156) was formed in July 2010 pursuant to Education Code Section 47600 under an agreement with the Los Angeles Unified School District. Ararat Charter School provides services for Kindergarten through Fifth grade.

**GOVERNING BOARD**

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<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Shakeh Avakian	Chairperson	Three Year Term Expires December 2023
Silva Karayan	Secretary	Three Year Term Expires December 2022
Levi Kirkland	Treasurer	Three Year Term Expires December 2022
Rosemarie Shamieh	Member	Three Year Term Expires December 2023
Guiliana Velarde	Member	Three Year Term Expires December 2023

**ADMINISTRATION**

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Eddie Villela  
Principal

Adrineh Gharibi  
Director of Operations and Compliance

**ARARAT CHARTER SCHOOL**  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2020

	Second Period Report		Annual Report	
	Original 63763EDD	Revised N/A	Original BF76FCC4	Revised N/A
Classroom Based Attendance				
Grades K-3	231.58	N/A	231.58	N/A
Grades 4-5	95.24	N/A	95.24	N/A
Total Classroom Based Attendance	326.82	N/A	326.82	N/A
Non-Classroom Based Attendance				
Grades K-3	0.19	N/A	0.19	N/A
Grades 4-5	0.18	N/A	0.18	N/A
Total Non-Classroom Based Attendance	0.37	N/A	0.37	N/A
Total ADA	327.19	N/A	327.19	N/A

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

On March 17, 2020 Governor Newsom signed Senate Bill (SB) 117 which mitigated the effect of lost attendance due to COVID19 that occurred after February 29, 2020. For the purpose of preventing losses of attendance-based funding as a result of reductions in average daily attendance (ADA) due to COVID19, this legislation provided that the ADA used for both the second period (P2) and the Annual period apportionment include all full school months from July 1, 2019 to February 29, 2020 for all local education agencies (LEAs).

**ARARAT CHARTER SCHOOL**  
 Schedule of Instructional Time  
 Year Ended June 30, 2020

Grade Level	Minutes Requirement	2019-20 Actual Minutes	2019-20 COVID-19 Closure Minutes	2019-20		2019-20 COVID-19 Closure Days	2019-20		Status
				Total Instructional Minutes	2019-20 Actual School Days		Total School Days	2019-20 Total School Days	
Kindergarten	36,000	45,065	21,310	66,375	122	58	180	180	Complied
1st Grade	50,400	45,065	21,310	66,375	122	58	180	180	Complied
2nd Grade	50,400	45,065	21,310	66,375	122	58	180	180	Complied
3rd Grade	50,400	45,065	21,310	66,375	122	58	180	180	Complied
4th Grade	54,000	45,065	21,310	66,375	122	58	180	180	Complied
5th Grade	54,000	45,065	21,310	66,375	122	58	180	180	Complied

Due to COVID-19 the School closed campus on March 16, 2020 through the end of the school year. Distance learning was provided to students for school days during the closure. This schedule has been reflected based on the original approved calendar and instructional time planned by the School for the 2019-20 fiscal year.

**ARARAT CHARTER SCHOOL**  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2020

	Budget 2021	2020	2019	2018
Revenues	\$ 4,053,423	\$ 4,122,623	\$ 4,085,676	\$ 3,648,408
Expenses	<u>4,025,506</u>	<u>3,798,624</u>	<u>3,392,984</u>	<u>3,097,261</u>
Change in Net Assets	<u>27,917</u>	<u>323,999</u>	<u>692,692</u>	<u>551,147</u>
Ending Net Assets	<u>\$ 3,990,668</u>	<u>\$ 3,962,751</u>	<u>\$ 3,638,752</u>	<u>\$ 2,946,060</u>
Unrestricted Net Assets	<u>\$ 3,990,668</u>	<u>\$ 3,962,751</u>	<u>\$ 3,638,752</u>	<u>\$ 2,946,060</u>
Unrestricted net assets as a percentage of total expenses	<u>99%</u>	<u>104%</u>	<u>107%</u>	<u>95%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>326</u>	<u>327</u>	<u>327</u>	<u>318</u>

The School's ending net assets has increased by \$1,016,691 (34.51%) over the past two fiscal years. The significant increase is in large due to the increase in revenue sources coupled with a commitment to build reserves to protect the School from changes in economic trends in future years. The average daily attendance (ADA) reported by the School has increased by 9 (2.83%) over the past two years. The 2020-21 fiscal year budget projects an increase in net assets of \$27,917 (0.70%) and a decrease in ADA of 1 (0.31%).



**ARARAT CHARTER SCHOOL**

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements  
Year Ended June 30, 2020

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June 30, 2020 annual financial alternative form net assets:	\$ 3,923,924
Adjustments and reclassifications:	
Understatement of accounts receivable	38,826
Rounding	<u>1</u>
Total adjustments and reclassifications	<u>38,827</u>
June 30, 2020 audited financial statements net assets:	<u><u>\$ 3,962,751</u></u>

**ARARAT CHARTER SCHOOL**  
Notes to Supplementary Information  
Year Ended June 30, 2020

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**A. Purpose of Schedules**

Organization Structure

This schedule provides information about the schools' charter numbers, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Section 47612.5.

Schedule of Financial Trends and Analysis

Budget information for 2021 is presented for analysis purposes only and is based on estimates of the 2020-21 fiscal year. The information has not been subject to audit.

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Forms prepared by the schools to the net assets reported in the audited financial statements.

## Other Independent Auditors' Reports

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

To the Board of Education  
Ararat Charter School  
Van Nuys, California

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 Ararat Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ararat Charter School' 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 Ararat Charter School' internal control. Accordingly, we do not express an opinion on the effectiveness of Ararat Charter School' internal control.

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

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

### **Compliance and Other Matters**

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

## Purpose of this Report

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

Wilkinson Hadley King + LLP

El Cajon, California  
March 26, 2021

## Independent Auditor's Report on State Compliance

To the Board of Education  
Ararat Charter School  
Van Nuys, California

### **Report on State Compliance**

We have audited the Ararat Charter School's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2020.

### **Management's Responsibility for State Compliance**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's Audit Guide *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States; and the State's audit guide *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

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

Description	Procedures Performed
<b>Local Education Agencies Other Than Charter Schools</b>	
A. Attendance.....	N/A
B. Teacher Certification and Misassignments.....	N/A
C. Kindergarten Continuance.....	N/A
D. Independent Study.....	N/A
E. Continuation Education.....	N/A
F. Instructional Time.....	N/A
G. Instructional Materials.....	N/A
H. Ratio of Administrative Employees to Teachers.....	N/A
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	N/A
L. School Accountability Report Card.....	N/A
M. Juvenile Court Schools.....	N/A
N. Middle or Early College High Schools.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
P. Transportation Maintenance of Effort.....	N/A
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	N/A
S. District of Choice.....	N/A
<b>School Districts, County Offices of Education, and Charter Schools</b>	
T. California Clean Energy Jobs Act.....	N/A
U. After/Before School Education and Safety Program.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
<b>Charter Schools</b>	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	N/A
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes
FF. Charter School Facility Grant Program.....	N/A

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

## Opinion on State Compliance

In our opinion, Ararat Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2020.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King + LLP

El Cajon, California  
March 26, 2021



## Auditor's Results, Findings & Recommendations

**ARARAT CHARTER SCHOOL**

Schedule of Auditor's Results

Year Ended June 30, 2020

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

           Yes        X   No

One or more significant deficiencies identified that are not considered material weakness(es)?

           Yes        X   No

Noncompliance material to financial statements noted?

           Yes        X   No

**STATE AWARDS**

Any audit findings disclosed that are required to be reported in accordance with *2019-20 Guide for Annual Audits of California K-12 Local Education Agencies?*

           Yes        X   No

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

Unmodified

**ARARAT CHARTER SCHOOL**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2020

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Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, or the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2019-20 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**

There are no findings to report.

**B. State Award Findings**

There are no findings to report.

**ARARAT CHARTER SCHOOL**  
Schedule of Prior Year Audit Findings  
Year Ended June 30, 2020

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