



Ararat  
Charter School  
Charter #1156

Audit Report  
June 30, 2022



**Ararat Charter School**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2022

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**TABLE OF CONTENTS**

<b><u>INDEPENDENT AUDITOR’S REPORT</u></b>	<b><u>2</u></b>
<b><u>FINANCIAL STATEMENTS</u></b>	<b><u>4</u></b>
Statement of Financial Position .....	4
Statement of Activities .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to the Financial Statements .....	8
<b><u>SUPPLEMENTARY INFORMATION</u></b>	<b><u>20</u></b>
LEA Organization Structure .....	20
Schedule of Average Daily Attendance .....	21
Schedule of Instructional Time .....	22
Schedule of Financial Trends & Analysis .....	23
Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements .....	24
Notes to Supplementary Information .....	25
<b><u>OTHER INDEPENDENT AUDITOR’S REPORTS</u></b>	<b><u>26</u></b>
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 <i>Government Auditing Standards</i> .....	26
Independent Auditor’s Report on State Compliance and on Internal Control Over State Compliance .....	28
<b><u>AUDITOR’S RESULTS, FINDINGS &amp; RECOMMENDATIONS</u></b>	<b><u>31</u></b>
Schedule of Auditor’s Results .....	31
Schedule of Findings and Questioned Costs .....	32
Schedule of Prior Year Audit Findings .....	33

## Independent Auditor's Report

To the Board of Directors  
Ararat Charter School

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of Ararat 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 Ararat Charter 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 Ararat Charter School's internal control over financial reporting and compliance.

El Cajon, California  
December 15, 2022

## Financial Statements

**Ararat Charter School**  
Statement of Financial Position  
June 30, 2022

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**Assets**

Cash and cash equivalents	\$ 3,812,424
Accounts receivable	1,144,456
Prepaid expenses	286,646
Property and equipment, net	4,803
Total Assets	<u>\$ 5,248,329</u>

**Liabilities and Net Assets**

Liabilities

Accounts payable - vendors	\$ 87,696
Accounts payable - grantor government	43,047
Accrued payroll liabilities	78,810
Unearned revenue	363,429
Total Liabilities	<u>572,982</u>

Net Assets

Without donor restrictions	
Undesignated	4,670,544
Invested in property and equipment, net of related debt	4,803
Total Net Assets	<u>4,675,347</u>
Total Liabilities and Net Assets	<u>\$ 5,248,329</u>

The accompanying notes are an integral part of this statement.

# Ararat Charter School

Statement of Activities  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 1,944,687	\$ -	\$ 1,944,687
Education protection account state aid	831,154	-	831,154
Transfers in lieu of property taxes	949,753	-	949,753
Total LCFF sources	<u>3,725,594</u>	<u>-</u>	<u>3,725,594</u>
Federal contracts and grants	-	885,383	885,383
State contracts and grants	389,886	255,225	645,111
Local contracts and grants	101,603	-	101,603
Donations and fundraising	9,931	-	9,931
Interest income	6,693	-	6,693
Net assets released from restriction -			
Grant restrictions satisfied	<u>1,140,608</u>	<u>(1,140,608)</u>	<u>-</u>
Total revenue, support, and gains	<u>5,374,315</u>	<u>-</u>	<u>5,374,315</u>
<b>Expenses and Losses</b>			
Program services expense	4,703,507	-	4,703,507
Supporting services expense	306,234	-	306,234
Total expenses and losses	<u>5,009,741</u>	<u>-</u>	<u>5,009,741</u>
<b>Change in Net Assets</b>	364,574	-	364,574
<b>Net Assets, Beginning of Year</b>	<u>4,310,773</u>	<u>-</u>	<u>4,310,773</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,675,347</u>	<u>\$ -</u>	<u>\$ 4,675,347</u>

The accompanying notes are an integral part of this statement.

**Ararat Charter School**  
Statement of Functional Expenses  
Year Ended June 30, 2022

	Program Services	Supporting Services		Total
	Educational Programs	Management and General	Fundraising and Development	
Salaries and wages	\$ 2,221,463	\$ 33,222	\$ -	\$ 2,254,685
Pension expense	393,443	5,327	-	398,770
Other employee benefits	422,589	6,320	-	428,909
Payroll taxes	90,096	1,342	-	91,438
Fees for services:				
Business Services	-	86,350	-	86,350
Legal	-	-	-	-
Accounting	-	8,970	-	8,970
Professional consulting	43,860	10,487	-	54,347
District oversight	-	35,609	-	35,609
Banking and payroll services	-	10,306	-	10,306
Marketing and recruitment	29,538	-	-	29,538
Office expenses	157,105	-	-	157,105
Information technology	68,741	-	-	68,741
Communication	39,651	-	-	39,651
Occupancy	300,116	-	-	300,116
Travel and conferences	15,440	-	-	15,440
Depreciation	6,123	2,040	-	8,163
Insurance	-	47,032	-	47,032
Other expenses:				
Books and supplies	152,601	-	-	152,601
Equipment rental and repair	24,954	-	-	24,954
Noncapitalized equipment	127,514	-	-	127,514
Special education contracts and encroachment	452,939	-	-	452,939
Substitutes	112,794	-	-	112,794
Fundraising	-	-	1,239	1,239
Bad debt	-	20,414	-	20,414
Student events and activities	44,540	-	-	44,540
Miscellaneous	-	37,576	-	37,576
Total expenses by function	\$ 4,703,507	\$ 304,995	\$ 1,239	\$ 5,009,741

The accompanying notes are an integral part of this statement.



## Ararat Charter School

Statement of Cash Flows

Year Ended June 30, 2022

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### Cash Flows from Operating Activities

Receipts from federal, state, and local contracts and grants	\$ 4,428,043
Receipts from property taxes	949,753
Receipts from donations and fundraising	9,931
Receipts from operating interest	6,693
Payments to employees for services provided	(3,172,660)
Payments to vendors	(1,700,532)

**Net Cash Provided By Operating Activities** 521,228

**Net Change in Cash and Cash Equivalents** 521,228

**Cash and Cash Equivalents, Beginning of Year** 3,291,196

**Cash and Cash Equivalents, End of Year** \$ 3,812,424

### Reconciliation of Change in Net Assets to Net Cash

#### Used For Operating Activities

Change in net assets	\$ 364,574
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	8,163
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	(141,851)
Prepaid expenses	114,997
Increase (Decrease) in liabilities	
Accounts payable - vendors	12,247
Accounts payable - grantor government	43,047
Accrued payroll liabilities	1,142
Unearned revenue	118,909

**Net Cash Provided By Operating Activities** \$ 521,228

The accompanying notes are an integral part of this statement.

**Ararat Charter School**  
Notes to the Financial Statements  
Year Ended June 30, 2022

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

*Organization Structure*

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 expenditures 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, 2022.

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

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*Unearned Revenue*

Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the School prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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

*Revenue and Revenue Recognition*

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

*Donated Services and In-Kind Contributions*

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

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

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*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, 2022, 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, 2022.

*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 government agencies.

*LCFF Revenues and Payments in Lieu of Property Taxes*

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the school, which is funding in lieu of property taxes, and education protection account funds paid by the state under Proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 69.32% of the School's revenue.

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

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

*New Accounting Guidance*

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

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

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

*Subsequent Events*

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

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

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**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:

Cash and cash equivalents	\$	3,812,424
Accounts receivable		<u>1,144,456</u>
	<u>\$</u>	<u>4,956,880</u>

**C. Fair Value Measurements and Disclosure**

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

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

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

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

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Beneficial interests in assets held				
Money Market	\$ 2,003,436	\$ 2,003,436	\$ -	\$ -

**D. Cash and Cash Equivalents**

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

Cash in bank accounts	\$ 1,808,988
Cash equivalents	2,003,436
Total cash and cash equivalents	<u>\$ 3,812,424</u>

*Cash in Bank*

The School's cash in bank, (\$1,808,988 as of June 30, 2022) is held in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2022, the School held \$1,565,904 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.

*Cash Equivalents and Investments*

The School maintains a portion of their funds in money market funds (\$2,003,436 as of June 30, 2022). These cash equivalents consist of United States Government Money Market Funds. These funds are not FDIC insured and are therefore exposed to custodial credit risk. The School does not anticipate any losses as a result of this risk. Cash may be added or withdrawn from the money market accounts without limitation.

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

**E. Accounts Receivable**

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

Federal Government			
Title I	\$	33,699	
ESSER II		174,356	
ESSER III		48,699	
Other Federal Programs		26,942	
State Government			
Education Protection Account		409,292	
State Aid		56,785	
Lottery Funding		35,557	
Special Education		40,052	
Local Government			
Property Tax Payments		102,287	
Other Local Sources			
Other Local Sources		216,787	
Total Accounts Receivable	\$	1,144,456	

**F. Prepaid Expenses**

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

Health and welfare benefits	\$	29,905	
Prepaid vendors		256,741	
Total Prepaid Expenses	\$	286,646	

**G. Property and Equipment**

As of June 30, 2022, the School's property and equipment consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Equipment, Furniture, and Fixtures	\$ 62,755	\$ -	\$ -	\$ 62,755
Total Depreciable Capital Assets	62,755	-	-	62,755
Total Capital Assets	62,755	-	-	62,755
Less Accumulated Depreciation	(49,789)	(8,163)	-	(57,952)
Capital Assets, Net	\$ 12,966	\$ (8,163)	\$ -	\$ 4,803



**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

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**H. Unearned Revenue**

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

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

Unearned Revenue, beginning of period	\$	244,520
Increases in unearned revenue due to cash received during the period		417,422
Decreases in unearned revenue due to performance obligations met during the period		(298,513)
Unearned Revenue, end of period	\$	363,429

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

Federal		
ESSER III	\$	2,042
State		
Educator Effectiveness		75,972
Universal Pre-K Planning		59,680
Expanded Learning Opportunities		225,735
Total Unearned Revenue	\$	363,429

**I. Employee Retirement System**

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

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

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

The School’s participation in this plan for the fiscal year ended June 30, 2022, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2022, 2021 and 2020 is for the plan’s year-end at June 30, 2022, 2021 and 2020, respectively. The zone status is based on information that the School received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

*Period to Period Comparability:*

Ararat Charter School increased in CalSTRS contributions from 2020 to 2021 by 3.90% followed by an additional increase in 2022 of 34.47%. Ararat Charter School increased in CalPERS contributions from 2020 to 2021 by 74% followed by an additional increase in 2022 of 90.4%. The increases were in large due to a rise in the number of employees which increased contributions. Also, with rising contribution rates coinciding with an increase in revenues that cause salaries to also rise, increasing contributions further.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
		2022	2021	2020	
		CalSTRS	19024	Yellow	
CalPERS	1558148176	Yellow	Yellow	Yellow	No

  

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2022	2021	2020		
CalSTRS	\$ 241,311	\$ 179,459	\$ 172,721	21	No
CalPERS	157,357	82,645	47,498	28	No
Total	\$ 398,668	\$ 262,104	\$ 220,219	49	

**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, 2022, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 16.92% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2022, the State contributed \$154,855 (10.858% of certificated salaries) on behalf of the School.

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

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 2021-22 was 20.70% of classified salaries. The School made contributions as noted above.

**J. Upcoming Changes in Accounting Pronouncements**

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

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2016-02 - <i>Leases (Topic 842)</i>	Feb-16	2022-23
FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill &amp; Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
FASB Accounting Standards Update 2018-11 - <i>Leases Targeted Improvements (Topic 842)</i>	Jul-18	2022-23
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-14 - <i>Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)</i>	Aug-18	2022-23
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
FASB Accounting Standards Update 2018-20 - <i>Leases (Topic 842)</i>	Dec-18	2022-23
FASB Accounting Standards Update 2019-01 - <i>Leases (Topic 842)</i>	Mar-19	2022-23
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2019-12 - <i>Income Taxes (Topic 740)</i>	Dec-19	2022-23
FASB Accounting Standards Update 2020-01 - <i>Investments (Topics 321, 323, and 815)</i>	Jan-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Revenue from Contracts with Customers (Topic 606)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Leases (Topic 842)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-08 - <i>Codification Improvements for Receivables (Topic 310-20)</i>	Oct-20	2022-23
FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-02 - <i>Franchisors Revenue (Topic 952-606)</i>	Jan-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Earnings Per Share (Topic 260)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Debt Modifications and Extinguishments (Topic 470-50)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Stock Compensation (Topic 718)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Derivatives and Hedging (Topic 815-40)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-05 - <i>Leases (Topic 842)</i>	Jul-21	2022-23
FASB Accounting Standards Update 2021-07 - <i>Stock Compensation (Topic 718)</i>	Oct-21	2022-23
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25
FASB Accounting Standards Update 2021-09 - <i>Leases (Topic 842)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2021-10 - <i>Government Assistance (Topic 832)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2022-01 - <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i>	Mar-22	2024-25
FASB Accounting Standards Update 2022-02 - <i>Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i>	Mar-22	2023-24
FASB Accounting Standards Update 2022-03 - <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	Jun-22	2025-26
FASB Accounting Standards Update 2022-04 - <i>Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations</i>	Sep-22	2023-24

**Ararat Charter School**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2022

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

## Supplementary Information

# Ararat Charter School

LEA Organization Structure

Year Ended June 30, 2022

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

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Shakeh Avakian	Chairperson	Three Year Term Expires December 2023
Dr. Silva Karayan	Co-Chairperson	Three Year Term Expires December 2022
Rosemarie Shamieh	Secretary	Three Year Term Expires December 2023
Karim Merzian	Treasurer	Three Year Term Expires December 2024
Vache Shirvanian	Co-Treasurer	Three Year Term Expires December 2024
Guiliana Velarde	Member	Three Year Term Expires December 2023
Nayri Horvat	Member	Three Year Term Expires December 2024

## ADMINISTRATION

Dr. Aida Tatioosian  
Principal

Adrinh Gharibi  
Director of Operations and Compliance

**Ararat Charter School**  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2022

	Second Period Report		Annual Report	
	Original 73F7616F	Revised N/A	Original A89AB7F3	Revised N/A
Classroom Based Attendance				
Grades K-3	178.60	N/A	179.80	N/A
Grades 4-5	105.34	N/A	105.90	N/A
Total Classroom Based Attendance	283.94	N/A	285.70	N/A
Non-Classroom Based Attendance				
Grades K-3	9.71	N/A	8.60	N/A
Grades 4-5	6.16	N/A	5.79	N/A
Total Non-Classroom Based Attendance	15.87	N/A	14.39	N/A
Total ADA	299.81	N/A	300.09	N/A

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



**Ararat Charter School**  
 Schedule of Instructional Time  
 Year Ended June 30, 2022

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
Kindergarten	36,000	79,030	1,410	80,440	177	3	180	Complied
1st Grade	50,400	79,030	1,410	80,440	177	3	180	Complied
2nd Grade	50,400	79,030	1,410	80,440	177	3	180	Complied
3rd Grade	50,400	79,030	1,410	80,440	177	3	180	Complied
4th Grade	54,000	79,030	1,410	80,440	177	3	180	Complied
5th Grade	54,000	79,030	1,410	80,440	177	3	180	Complied

See Accompanying Notes to Supplementary Information

**Ararat Charter School**  
Schedule of Financial Trends & Analysis  
Year Ended June 30, 2022

	Budget 2023	2022	2021	2020
Revenues	\$ 6,133,069	\$ 5,374,315	\$ 4,432,743	\$ 4,122,623
Expenses	5,919,946	5,009,741	4,084,721	3,798,624
Change in Net Assets	<u>213,123</u>	<u>364,574</u>	<u>348,022</u>	<u>323,999</u>
Ending Net Assets	<u>\$ 4,888,470</u>	<u>\$ 4,675,347</u>	<u>\$ 4,310,773</u>	<u>\$ 3,962,751</u>
Unrestricted Net Assets	<u>\$ 4,888,470</u>	<u>\$ 4,675,347</u>	<u>\$ 4,310,773</u>	<u>\$ 3,962,751</u>
Unrestricted net assets as a percentage of total expenses	<u>83%</u>	<u>93%</u>	<u>106%</u>	<u>104%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>307</u>	<u>300</u>	<u>N/A</u>	<u>327</u>

The School's ending net assets has increased by \$712,596 (17.98%) over the past two fiscal years. The increase is in large due to additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

Average daily attendance (ADA) has decreased by 27 over the past two years. As a result of the COVID-19 pandemic there was no reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2022-23 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$213,123 and ADA is projected to be 307 for the 2022-23 fiscal year.

## Ararat Charter School

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

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June 30, 2022 annual financial alternative form net assets:	\$	4,569,843
Adjustments and reclassifications:		
Understatement of accounts receivable		164,709
Overstatement of unearned revenue		<u>(59,205)</u>
Total adjustments and reclassifications		<u>105,504</u>

See Accompanying Notes to Supplementary Information

**Ararat Charter School**  
Notes to Supplementary Information  
Year Ended June 30, 2022

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**A. Purpose of Schedules**

LEA Organization Structure

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

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

This schedule provides 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 involves offering a minimum number of annual instructional minutes as defined by grade level.

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

Schedule of Financial Trends & Analysis

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

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

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

**Ararat Charter School**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Federal Expenditures
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
U.S. Department of Education				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	\$ -	\$ 89,928
Total Special Education (IDEA) Cluster			<u>-</u>	<u>89,928</u>
<b>OTHER PROGRAMS</b>				
U.S. Department of Education				
Passed through State Department of Education				
Title I	84.010	14329	\$ -	\$ 118,186
Title II	84.367	14341	-	26,046
Title III	84.365	14346	-	23,269
Title IV	84.424	15396	-	10,000
CARES Act - Elementary & Secondary School Emergency Relief	84.425D	15536	-	82,076
CARES Act - Elementary & Secondary School Emergency Relief II	84.425D	15547	-	325,309
CARES Act - Elementary & Secondary School Emergency Relief III	84.425D	15559	-	100,000
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425	15618	-	36,605
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425	15919	-	8,400
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425	15620	-	23,845
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	84.425	15621	-	41,105
Total passed through State Department of Education			<u>-</u>	<u>794,841</u>
Total U.S. Department of Education			<u>-</u>	<u>794,841</u>
US Department of the Health and Human Services				
Passed through Los Angeles County Office of Education				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	13597	-	614
Total Other Programs			<u>-</u>	<u>795,455</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 885,383</u>

## Ararat Charter School

### Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

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#### Basis of Presentation

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

#### Summary of Significant Accounting Policies

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

#### Indirect Cost Rate

The School did not charge indirect costs to federal programs.

## Other Independent Auditor's Reports

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

To the Board of Directors  
Ararat Charter School

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

***Report on Internal Control over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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



***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California  
December 15, 2022

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

To the Board of Directors  
Ararat Charter School

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

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

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

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

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Ararat Charter School 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 Ararat Charter 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 Ararat Charter School's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ararat Charter 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ararat Charter 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 Ararat Charter 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 Ararat Charter 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

El Cajon, California  
December 15, 2022

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

To the Board of Directors  
Ararat Charter School

**Report on Compliance for Applicable State Programs**

***Opinion on Each Applicable State Program***

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

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

***Basis for Opinion on Each Applicable State Program***

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

We are required to be independent of Ararat Charter School 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 Ararat Charter 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 Ararat Charter School's state programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ararat Charter 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 generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide 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 Ararat Charter School’s compliance with the requirements of each applicable state program as a whole.

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

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

	Procedures Performed
<u>School Districts, County Offices of Education, and Charter Schools</u>	
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
Z. Immunizations.....	Yes
AZ. Educator Effectiveness.....	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G).....	Yes
CZ. Career Technical Education Incentive Grant.....	N/A
DZ. In Person Instruction Grant.....	Yes
<u>Charter Schools</u>	
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

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

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

### **Report on Internal Control over State Compliance**

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

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

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

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

El Cajon, California  
December 15, 2022

## Auditor's Results, Findings & Recommendations

# Ararat Charter School

## Schedule of Auditor's Results

Year Ended June 30, 2022

### FINANCIAL STATEMENTS

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

### FEDERAL PROGRAMS

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
One or more material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
One or more significant deficiencies identified that are not considered material weakness(es)?	_____ Yes	_____ <u>X</u> No
Compliance supplement utilized for single audit	July 2021	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	_____ Yes	_____ <u>X</u> No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425D	CARES Act - Elementary & Secondary School Emergency Relief
84.425D	CARES Act - Elementary & Secondary School Emergency Relief II
84.425D	CARES Act - Elementary & Secondary School Emergency Relief III
84.425	Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve
84.425	Expanded Learning Opportunities (ELO) Grant: GEER II
84.425	Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs
84.425	Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss

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

### STATE PROGRAMS

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



**Ararat Charter School**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2022

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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 *2021-22 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting* (the Audit Guide). Finding codes as identified in the Audit Guide are as follows:

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

**A. Financial Statement Findings**

None

**B. Federal Award Findings**

None

**C. State Award Findings**

None

**Ararat Charter School**  
Schedule of Prior Year Audit Findings  
Year Ended June 30, 2022

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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