



Ararat
Charter School
Charter #1156

Audit Report
June 30, 2023



Ararat Charter School
Financial Statements and Supplemental Information
Year Ended June 30, 2023

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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, 2023, 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, 2023, 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.

Emphasis of Matter – Changes in Accounting Principle and Policy

As described in Note A to the financial statements, in the fiscal year ended June 30, 2023, Ararat Charter School adopted new accounting guidance, *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases*. Our opinion is not modified with respect to this matter.

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 additional accompanying supplementary information, as identified in the Table of Contents and as required by the *2022-23 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 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, 2023, 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, 2023

Financial Statements

Ararat Charter School
Statement of Financial Position
June 30, 2023

Assets

Cash and cash equivalents	\$ 5,272,361
Accounts receivable	995,036
Prepaid expenses	233,424
Right-of-use assets, operating leases	
Facilities and equipment	50,263
Accumulated amortization	(5,155)
Total Assets	<u>\$ 6,545,929</u>

Liabilities and Net Assets

Liabilities

Accounts payable - vendors	\$ 100,203
Accounts payable - grantor government	380,061
Accrued payroll liabilities	82,809
Operating leases payable	45,406
Unearned revenue	1,145,948
Total Liabilities	<u>1,754,427</u>

Net Assets

Without donor restrictions	
Undesignated	<u>4,791,502</u>
Total Net Assets	4,791,502
Total Liabilities and Net Assets	<u>\$ 6,545,929</u>

The accompanying notes are an integral part of this statement.

Ararat Charter School

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 2,841,577	\$ -	\$ 2,841,577
Education protection account state aid	246,462	-	246,462
Transfers in lieu of property taxes	1,071,371	-	1,071,371
Total LCFF sources	<u>4,159,410</u>	<u>-</u>	<u>4,159,410</u>
Federal contracts and grants	-	370,018	370,018
State contracts and grants	1,009,600	305,332	1,314,932
Local contracts and grants	125,529	-	125,529
Donations and fundraising	26	-	26
Interest income	10,676	-	10,676
Net assets released from restriction -			
Grant restrictions satisfied	675,350	(675,350)	-
Total revenue, support, and gains	<u>5,980,591</u>	<u>-</u>	<u>5,980,591</u>
Expenses and Losses			
Program services expense	4,612,963	-	4,612,963
Supporting services expense	1,251,473	-	1,251,473
Total expenses and losses	<u>5,864,436</u>	<u>-</u>	<u>5,864,436</u>
Change in Net Assets	116,155	-	116,155
Net Assets, Beginning of Year	<u>4,675,347</u>	<u>-</u>	<u>4,675,347</u>
Net Assets, End of Year	<u>\$ 4,791,502</u>	<u>\$ -</u>	<u>\$ 4,791,502</u>

The accompanying notes are an integral part of this statement.

Ararat Charter School
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services		Total
	Educational Programs	Management and General	Fundraising and Development	
Salaries and wages	\$ 2,073,298	\$ 567,621	\$ -	\$ 2,640,919
Pension expense	406,399	111,263	-	517,662
Other employee benefits	420,608	115,153	-	535,761
Payroll taxes	82,156	22,492	-	104,648
Fees for services:				
Business services	-	90,650	-	90,650
Legal	-	39,212	-	39,212
Accounting	-	14,260	-	14,260
Professional consulting	190,855	15,089	-	205,944
District oversight	-	41,594	-	41,594
Banking and payroll services	-	10,177	-	10,177
Marketing and recruitment	-	15,285	-	15,285
Information technology	30,127	-	-	30,127
Communication	70,825	-	-	70,825
Occupancy	325,778	-	-	325,778
Travel and conferences	36,870	-	-	36,870
Debt service interest	-	635	-	635
Depreciation	4,803	-	-	4,803
Amortization	5,155	-	-	5,155
Insurance	-	53,497	-	53,497
Other expenses:				
Books and supplies	273,987	-	-	273,987
Equipment rental and repair	25,904	-	-	25,904
Noncapitalized equipment	11,999	-	-	11,999
Dues and memberships	-	55,369	-	55,369
Special education contracts and encroachment	417,804	-	-	417,804
Substitutes	202,140	-	-	202,140
Fundraising	-	-	36,619	36,619
Bad debt	-	1,753	-	1,753
Student events and activities	34,255	-	-	34,255
Miscellaneous	-	60,804	-	60,804
Total expenses by function	\$ 4,612,963	\$ 1,214,854	\$ 36,619	\$ 5,864,436

The accompanying notes are an integral part of this statement.

Ararat Charter School

Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities

Receipts from federal, state, and local contracts and grants	\$ 6,167,471
Receipts from property taxes	1,071,371
Receipts from donations and fundraising	26
Receipts from operating interest	10,676
Payments for operating leases payable	(5,492)
Payments to employees for services provided	(3,794,991)
Payments to vendors	(1,989,124)
Net Cash Provided By Operating Activities	<u>1,459,937</u>

Net Change in Cash and Cash Equivalents	1,459,937
Cash and Cash Equivalents, Beginning of Year	<u>3,812,424</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,272,361</u>

Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities

Change in net assets	\$ 116,155
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	4,803
Realized and unrealized (gain) loss on operating investments	
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	149,420
Prepaid expenses	53,222
Right-of-use assets	(45,108)
Increase (Decrease) in liabilities	
Accounts payable - vendors	12,507
Accounts payable - grantor government	337,014
Accrued payroll liabilities	3,999
Unearned revenue	782,519
Operating leases payable	45,406
Net Cash Provided By Operating Activities	<u>\$ 1,459,937</u>

The accompanying notes are an integral part of this statement.

Ararat Charter School
Notes to the Financial Statements
Year Ended June 30, 2023

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 receivable consist primarily of non-interest 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.

Prepaid Expenses

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

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, 2023.

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

Leases

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

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

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

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

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

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

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.

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

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.

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, 2023, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

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, 2023.

Advertising

Advertising costs are expensed as incurred and approximated \$15,285 during the year ended June 30, 2023.

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 69.55% 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, 2023

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 2022-23 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2016-02 - Leases (Topic 842)	Feb-16
FASB Accounting Standards Update 2018-01 - Leases (Topic 842)	Jan-18
FASB Accounting Standards Update 2018-11 - Leases Targeted Improvements (Topic 842)	Jul-18
FASB Accounting Standards Update 2018-14 - Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)	Aug-18
FASB Accounting Standards Update 2018-20 - Leases (Topic 842)	Dec-18
FASB Accounting Standards Update 2019-01 - Leases (Topic 842)	Mar-19
FASB Accounting Standards Update 2019-12 - Income Taxes (Topic 740)	Dec-19
FASB Accounting Standards Update 2020-01 - Investments (Topics 321, 323, and 815)	Jan-20
FASB Accounting Standards Update 2020-05 - Revenue from Contracts with Customers (Topic 606)	Jun-20
FASB Accounting Standards Update 2020-05 - Leases (Topic 842)	Jun-20
FASB Accounting Standards Update 2020-08 - Codification Improvements for Receivables (Topic 310-20)	Oct-20
FASB Accounting Standards Update 2021-02 - Franchisors Revenue (Topic 952-606)	Jan-21
FASB Accounting Standards Update 2021-04 - Earnings Per Share (Topic 260)	May-21
FASB Accounting Standards Update 2021-04 - Debt Modifications and Extinguishments (Topic 470-50)	May-21
FASB Accounting Standards Update 2021-04 - Stock Compensation (Topic 718)	May-21
FASB Accounting Standards Update 2021-04 - Derivatives and Hedging (Topic 815-40)	May-21

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

Description	Date Issued
FASB Accounting Standards Update 2021-05 - Leases (Topic 842)	Jul-21
FASB Accounting Standards Update 2021-07 - Stock Compensation (Topic 718)	Oct-21
FASB Accounting Standards Update 2021-09 - Leases (Topic 842)	Nov-21
FASB Accounting Standards Update 2021-10 - Government Assistance (Topic 832)	Nov-21
FASB Accounting Standards Update 2022-06 - Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848	Dec-22
FASB Accounting Standards Update 2023-03 - Financial Statement Reporting Amendments to SEC Paragraphs of Multiple Topics	Jul-23
FASB Accounting Standards Update 2023-04 - Liabilities (Topic 405): Amendments to SEC Paragraphs	Aug-23

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The School has adopted provisions of effective Accounting Standards Updates. The issuance of these standards updates resulted in the following changes for the School:

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after July 1, 2022 using a modified retrospective approach. The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, statement of functional expenses, or statement of cash flows.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 15, 2023, the date the financial statements were available to be issued.

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

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	\$	5,272,361
Accounts receivable		<u>995,036</u>
 Total	 \$	 <u><u>6,267,397</u></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, 2023

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2023:

<u>Assets</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Operating investments				
Beneficial interests in assets held				
Money Market	\$ 2,012,652	\$ 2,012,652	\$ -	\$ -

D. Cash and Cash Equivalents

The School's cash and cash equivalents on June 30, 2023, consisted of the following:

Cash in bank accounts	\$ 3,259,709
Cash equivalents	2,012,652
Total cash and cash equivalents	<u>\$ 5,272,361</u>

Cash in Bank

The School's cash in bank, (\$3,259,709 as of June 30, 2023) 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, 2023, the School held \$3,239,013 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 (\$2,012,652 as of June 30, 2023). 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, 2023

E. Accounts Receivable

As of June 30, 2023, the School's accounts receivable consisted of the following:

Federal Government	
Title I	\$ 6,770
Special Education	4,793
ESSER III	17,747
Other Federal Programs	1,483
State Government	
State Aid	809,183
Lottery Funding	47,205
Special Education	14,660
Local Government	
Property Tax Payments	76,732
Other Local Sources	
Other Local Sources	16,463
Total Accounts Receivable	\$ 995,036

F. Prepaid Expenses

As of June 30, 2023, the School's prepaid expenses consisted of the following:

Prepaid vendors	\$ 233,424
Total Prepaid Expenses	\$ 233,424

G. Property and Equipment

As of June 30, 2023, 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	(57,952)	(4,803)	-	(62,755)
Capital Assets, Net	\$ 4,803	\$ (4,803)	\$ -	\$ -

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

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, 2023:

Unearned Revenue, beginning of period	\$	363,429
Increases in unearned revenue due to cash received during the period		1,072,692
Decreases in unearned revenue due to performance obligations met during the period		(290,173)
Unearned Revenue, end of period	\$	<u><u>1,145,948</u></u>

As of June 30, 2023, unearned revenue consisted of the following:

Federal		
Expanded Learning Opportunities Program	\$	241,654
ESSER III		66,827
State		
Learning Recovery Emergency		615,362
Educator Effectiveness		71,224
Universal Pre-K Planning		51,043
Arts, Music, and Instructional Materials		99,838
Total Unearned Revenue	\$	<u><u>1,145,948</u></u>

I. Operating Leases

The School entered into lease agreements for the use of facilities and equipment. The components of lease expense were as follows:

Operating lease cost		
Amortization of right-of-use assets	\$	5,155
Interest on lease liabilities		635
Total operating lease cost		<u>5,790</u>
Short-term lease cost		<u>25,904</u>
Total lease expense	\$	<u><u>31,694</u></u>

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

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

Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 50,263
Total	<u>\$ 50,263</u>
Weighted average remaining lease term:	
Operating leases	36 Months
Weighted average discount rate:	
Operating leases	4.05%

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

Year Ended June 30,	Operating Leases
2024	\$ 16,476
2025	16,476
2026	<u>15,103</u>
Total future minimum lease payments	48,055
Less imputed interest	<u>(2,649)</u>
Net future minimum lease payments	<u>\$ 45,406</u>

J. 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) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

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

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

The School’s participation in this plan for the fiscal year ended June 30, 2023, 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 2023, 2022 and 2021 is for the plan’s year-end at June 30, 2023, 2022 and 2021, 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 2021 to 2022 by 34.47% followed by an additional increase in 2023 of 19.82%. Ararat Charter School increased in CalPERS contributions from 2021 to 2022 by 90.40% followed by an additional increase in 2023 of 45.22%. 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
		2023	2022	2021	
CalSTRS	19024	Green	Green	Yellow	No
CalPERS	1558148176	Yellow	Green	Yellow	No

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2023	2022	2021		
CalSTRS	\$ 289,150	\$ 241,311	\$ 179,459	19	No
CalPERS	228,511	157,357	82,645	21	No
Total	\$ 517,661	\$ 398,668	\$ 262,104	40	

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, 2023, 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 19.10% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2023, the State contributed \$163,922 (10.828% of certificated salaries) on behalf of the School.

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

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 2022-23 was 25.37% of classified salaries. The School made contributions as noted above.

K. 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 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill & Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
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
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 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25
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

Ararat Charter School
Notes to the Financial Statements (Continued)
Year Ended June 30, 2023

Description	Date Issued	Fiscal Year Effective
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
FASB Accounting Standards Update 2022-05 - <i>Financial Services - Insurance (Topic 944): Transition for Sold Contracts</i>	Dec-22	2025-26
FASB Accounting Standards Update 2023-01 - <i>Leases (Topic 842): Common Control Arrangements</i>	Mar-23	2024-25
FASB Accounting Standards Update 2023-02 - <i>Investments (Topic 323): Accounting for Investments in Tax Credit Structures</i>	Mar-23	2025-26
FASB Accounting Standards Update 2023-05 - <i>Business Combinations - Joint Venture Formations (Subtopic 805-60)</i>	Aug-23	2024-25

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, 2023

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
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 Tatioossian
Principal

Samantha Parisen
Assistant Principal

Ararat Charter School
 Schedule of Average Daily Attendance
 Year Ended June 30, 2023

	Second Period Report		Annual Report	
	Original F595DCD2	Revised	Original 3CAD5BA8	Revised
Classroom Based Attendance				
Grades TK/K-3	199.24	N/A	201.29	N/A
Grades 4-5	105.90	N/A	106.26	N/A
Total Classroom Based Attendance	305.14	N/A	307.55	N/A
Non-Classroom Based Attendance				
Grades TK/K-3	0.30	N/A	0.23	N/A
Grades 4-5	-	N/A	-	N/A
Total Non-Classroom Based Attendance	0.30	N/A	0.23	N/A
Total ADA	305.44	N/A	307.78	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, 2023

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
Transitional Kindergarten	36,000	68,295	0	68,295	180	0	180	Complied
Kindergarten	36,000	68,295	0	68,295	180	0	180	Complied
1st Grade	50,400	64,695	0	64,695	180	0	180	Complied
2nd Grade	50,400	64,695	0	64,695	180	0	180	Complied
3rd Grade	50,400	64,695	0	64,695	180	0	180	Complied
4th Grade	54,000	64,695	0	64,695	180	0	180	Complied
5th Grade	54,000	64,695	0	64,695	180	0	180	Complied

See Accompanying Notes to Supplementary Information

Ararat Charter School
Schedule of Financial Trends & Analysis
Year Ended June 30, 2023

	Budget 2024	2023	2022	2021
Revenues	\$ 6,728,605	\$ 5,980,591	\$ 5,374,315	\$ 4,432,743
Expenses	6,509,694	5,864,436	5,009,741	4,084,721
Change in Net Assets	218,911	116,155	364,574	348,022
Ending Net Assets	<u>\$ 5,010,413</u>	<u>\$ 4,791,502</u>	<u>\$ 4,675,347</u>	<u>\$ 4,310,773</u>
Unrestricted Net Assets	<u>\$ 5,010,413</u>	<u>\$ 4,791,502</u>	<u>\$ 4,675,347</u>	<u>\$ 4,310,773</u>
Unrestricted net assets as a percentage of total expenses	<u>77%</u>	<u>82%</u>	<u>93%</u>	<u>106%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>320</u>	<u>305</u>	<u>300</u>	<u>327</u>

The School's ending net assets has increased by \$480,729 (11.15%) over the past two fiscal years. The increase is in large due to additional funding received as a result of the COVID-19 pandemic.

Average daily attendance (ADA) has decreased by 22 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 2023-24 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$218,911 and ADA is projected to be 320 for the 2023-24 fiscal year.

Ararat Charter School

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2023

June 30, 2023 annual financial alternative form net assets:	\$ 4,763,737
Adjustments and reclassifications:	
Understatement of lease assets	45,108
Overstatement of accounts payable	28,062
Understatement of leases payable	(45,406)
Rounding	<u>1</u>
Total adjustments and reclassifications	<u>27,765</u>
June 30, 2023 audited financial statements net assets:	<u><u>\$ 4,791,502</u></u>

Ararat Charter School
Notes to Supplementary Information
Year Ended June 30, 2023

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 2022-23 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 2023-24 fiscal year.

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

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

Other Independent Auditor's Reports

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

To the Board of Directors
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, 2023, 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, 2023.

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.

William Hadley King & Co. LLP

El Cajon, California

December 15, 2023

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 *2022-23 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 Ararat Charter School's statutory requirements identified below for the year ended June 30, 2023.

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, 2023.

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 *2022-23 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 Ararat 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
EZ.	Transitional Kindergarten.....	Yes
<u>Charter Schools</u>		
AA.	Attendance.....	Yes
BB.	Mode of Instruction.....	Yes
CC.	Nonclassroom-Based Instruction/Independent Study.....	Yes
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, 2023

Auditor's Results, Findings & Recommendations

Ararat Charter School

Schedule of Auditor's Results

Year Ended June 30, 2023

FINANCIAL STATEMENTS

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

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>	
Internal control over applicable state programs:		
One or more material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
One or more significant deficiencies identified that are not considered material weakness(es)?	<u> </u> Yes	<u> X </u> No
Any audit findings disclosed that are required to be reported in accordance with <i>2022-23 Guide for Annual Audits of California K-12 Local Education Agencies</i> ?	<u> </u> Yes	<u> X </u> No

Ararat Charter School
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023

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 *2022-23 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. State Award Findings

None

Ararat Charter School
Schedule of Prior Year Audit Findings
Year Ended June 30, 2023

<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