

Ararat Home of Los Angeles, Inc.
Auditor Communication Letter
December 31, 2019

DIEM CPA, INC.

CERTIFIED PUBLIC ACOUNTANT

2828 Cochran Street, #367, Simi Valley, CA 93065 (805)522-8827

Board of Trustees
Ararat Home of Los Angeles, Inc.
15105 Mission Hills Road
Mission Hills, California 91345

I have audited the financial statements of Ararat Home of Los Angeles, Inc. (the "Home") for the year ended December 31, 2019, and I have issued my report thereon dated March 16, 2020. Professional standards require that I advise you of my findings related to this audit.

My Responsibility under Generally Accepted Auditing Standards

As communicated in my engagement letter dated December 13, 2019, my responsibility, as prescribed by professional standards, is to plan and perform my audit to form and express an opinion about whether the financial statements prepared by management are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. My audit of the financial statements does not relieve you or management of your respective responsibilities.

My responsibility, as prescribed by professional standards, is to plan and perform my audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of my audit, I considered the Home's internal control solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

I am also responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures for the purpose of identifying other matters to communicate to you.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the Home is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies, or their application, during the year.

No matters have come to my attention that would require me, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and, (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of the Entity's Significant Accounting Practices (continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for doubtful accounts.
- Management's estimate of the useful lives of fixed assets.

I evaluated the key factors and assumptions used to develop those estimates and determined that they were reasonable in relation to the financial statements taken as a whole.

Financial Statements Disclosures

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the liquidity in Note 2 of the financial statements.
- The disclosure of assets limited as to use in Note 3 to the financial statements.
- The disclosure of fair value measurements in Note 4 to the financial statements.
- The disclosure of endowment and capital replacement funds in Note 5 of the financial statements.
- The disclosure of details regarding the Home's long-term debt in Note 7 to the financial statements.
- The disclosure of regulatory matters and the potential for litigation in Note 8 to the financial statements.

Significant and Unusual Transactions

There were no significant or unusual transactions encountered during my audit.

No Difficulties or Disagreements Encountered During the Audit

I encountered no difficulties in dealing with management relating to the performance of the audit.

For the purpose of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the Home's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Material Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Please reference the list of adjustments previously provided by me.

Representations Requested from Management

I requested certain written representations from management, which are included in the management representation letter previously provided by me.

Consultations with Other Accountants

To my knowledge, and as management has informed me, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of my professional association with the Home, I generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of my retention as the Home's auditor.

Internal Controls

In planning and performing my audit of the financial statements of the Home, I considered its internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. Accordingly, I do not express an opinion on the effectiveness of the Home's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of business, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Home's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Home's financial statements, that is more than inconsequential, will not be prevented or detected by internal control. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Home's internal control.

The Home's management and Board of Trustees take an active part in supplementing the existing internal control environment to ensure that transactions recorded by the accounting department are properly authorized. I encourage them in this effort. This level of oversight is effective in mitigating many control deficiencies, however, because of the limited number of staff in the accounting department, segregation of duty issues where one employee performs incompatible roles within the control structure exists. Where possible, management should look for opportunities to disperse the responsibility for approving and recording transactions within the accounting department.

Ararat Home of Los Angeles, Inc.

Auditor Communication Letter

March 16, 2020

Because of the inherent limitations of internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the degree of compliance may deteriorate.

This report is intended solely for the information and use of the members of the Board of Trustees, management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Deim CPA, Inc." The signature is written in black ink and is positioned above the typed name and date.

March 16, 2020

Simi Valley, California