

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2011

**THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)**

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BIANCHI, KASAVAN & POPE, LLP

Certified Public Accountants & Business Consultants

Robert W. Bianchi, CPA
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Gordon A. Rubbo, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The International School of Monterey
Seaside, California

We have audited the accompanying statement of financial position of The International School of Monterey (School), a nonprofit corporation, as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-2011*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2011 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the School taken as a whole. The accompanying supplementary information as listed on the table of contents is presented for purposes of additional analysis as required by the State Controller's Office, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-2011*, and is not a required part of the basic financial statements of the School. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Biandri, Kasawan & Pope, LLP

Salinas, California
December 7, 2011

FINANCIAL STATEMENTS

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents - Note 2	\$ 397,412
Accounts and grants receivable - Note 3	536,119
Prepaid expenses	<u>42,266</u>

TOTAL CURRENT ASSETS 975,797

PROPERTY AND EQUIPMENT - net - Note 4	<u>10,745</u>
	<u><u>\$ 986,542</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 200,591
Accrued paid-time-off (PTO)	18,584
Deferred pay	48,735
Deferred revenue	<u>18,226</u>

TOTAL CURRENT LIABILITIES 286,136

COMMITMENTS AND CONTINGENCIES - Notes 7, 8 and 9

NET ASSETS

Unrestricted	670,178
Temporarily restricted	<u>30,228</u>

TOTAL NET ASSETS 700,406

\$ 986,542

The accompanying notes are an integral part of these financial statements.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Revenue limit sources			
Local sources - in-lieu of property taxes	\$1,158,760	\$ -	\$1,158,760
State apportionment	1,106,371	-	1,106,371
Government grants - Note 6	325,559	-	325,559
ISM Foundation contributions - Note 12	275,880	-	275,880
Contributions	45,263	91,636	136,899
Fees for after school programs	121,768	-	121,768
Fundraising	17,253	-	17,253
Interest income	813	-	813
Net assets released from restrictions - Satisfaction of purpose restrictions	61,408	(61,408)	-
TOTAL SUPPORT AND REVENUE	<u>3,113,075</u>	<u>30,228</u>	<u>3,143,303</u>
EXPENSES			
Program Services			
Charter School	2,640,890	-	2,640,890
Support Services			
General and Administrative	280,637	-	280,637
Fundraising	14,553	-	14,553
TOTAL EXPENSES	<u>2,936,080</u>	<u>-</u>	<u>2,936,080</u>
CHANGE IN NET ASSETS	176,995	30,228	207,223
NET ASSETS, BEGINNING OF YEAR	<u>493,183</u>	<u>-</u>	<u>493,183</u>
NET ASSETS, END OF YEAR	<u><u>\$ 670,178</u></u>	<u><u>\$ 30,228</u></u>	<u><u>\$ 700,406</u></u>

The accompanying notes are an integral part of these financial statements.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

		Support Services		
	Program Services	General and Administrative	Fundraising	Total Expenses
SALARIES AND RELATED EXPENSES				
Salaries	\$ 1,647,173	\$ 138,857	\$ 9,839	\$ 1,795,869
Employee benefits	479,368	51,824	4,572	535,764
TOTAL SALARIES AND RELATED EXPENSES	<u>2,126,541</u>	<u>190,681</u>	<u>14,411</u>	<u>2,331,633</u>
OTHER EXPENSES				
Professional, consulting and other operating expenses	175,322	58,440	-	233,762
Rentals, leases and repairs	95,006	10,556	-	105,562
Noncapitalized equipment	71,410	7,935	-	79,345
Books and materials	55,812	-	-	55,812
Travel and conferences	32,586	3,621	-	36,207
Insurance	23,846	5,961	-	29,807
Classroom materials and supplies	23,071	-	-	23,071
Dues and subscriptions	12,761	1,276	142	14,179
Student events	12,548	-	-	12,548
Depreciation	5,978	1,494	-	7,472
Security	1,886	471	-	2,357
Food services supplies	2,302	-	-	2,302
Communications	1,821	202	-	2,023
TOTAL OTHER EXPENSES	<u>514,349</u>	<u>89,956</u>	<u>142</u>	<u>604,447</u>
TOTAL EXPENSES	<u>\$ 2,640,890</u>	<u>\$ 280,637</u>	<u>\$ 14,553</u>	<u>\$ 2,936,080</u>

The accompanying notes are an integral part of these financial statements.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 207,223
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**Adjustments to reconcile change in net assets to
net cash provided by operating activities:**

Depreciation	7,472
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(Increase) decrease in:

Accounts and grants receivable	(180,967)
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Prepaid expenses	5,276
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Increase (decrease) in:

Accounts payable	81,380
------------------	--------

Accrued paid-time-off (PTO)	1,832
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Deferred pay	(14,125)
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Deferred revenue	18,226
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(80,906)

Net cash provided by operating activities

126,317

CASH FLOW FROM FINANCING ACTIVITIES

Payments on line of credit	(80,000)
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Net cash used in financing activities

(80,000)

NET INCREASE IN CASH

46,317

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

351,095

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 397,412

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 1,642
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The accompanying notes are an integral part of these financial statements.

**THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The International School of Monterey (School) is a nonprofit public benefit corporation, organized under the California Nonprofit Public Benefit Corporation law for public and charitable purposes.

The School, incorporated on May 26, 1998, is organized exclusively for charitable and education purposes, with the primary purpose to educate all children toward becoming conscientious, compassionate, and responsible citizens of the world through public charter school education for children ages 4-14 following an International School model.

The School operates a K-8 school in Seaside, California and is recognized as a Charter School under the laws of the State of California.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

Net assets and revenues, gains and losses are classified based on the absence or existence and nature of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the School pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets at June 30, 2011 consisted of contributions available for mobile computer labs.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of such assets permit the School to use all or part of the income earned on the assets.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Retirement Plans

Qualified employees are covered under contributory retirement plans maintained by agencies of the State of California. Contributions to these plans are paid or accrued based upon a percentage of qualified employee salaries.

Property Tax

Secured and unsecured property taxes attach as an enforceable lien on property. The County of Monterey bills and collects these taxes for the School. Property tax revenues ("in-lieu local property taxes") are received in monthly installments by the School. Tax revenues are recognized by the School when the State calculates principal apportionments for the school year.

Any prior year adjustments to property tax revenues are recognized when received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the School's various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The School is a California nonprofit corporation exempt from tax by the Internal Revenue Service under Section 501(c)(3) and is classified as an entity other than a private foundation. However, certain types of income are considered unrelated business taxable income which is taxed at regular corporate income tax rates. There was no unrelated business income tax for the year ended June 30, 2011.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

The School records its fixed assets at cost and depreciates these assets using the straight-line method. Depreciation is based on the following estimated useful lives:

	<u>Years</u>
Computer equipment	3 - 5
Classroom equipment	5
Library equipment	5
Office equipment	5
Playground equipment	5

Maintenance and minor repairs are charged against income; major renewals and betterments are capitalized and depreciated when the unit cost, exclusive of tax and fees, exceeds a capitalization threshold of \$1,500.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all cash accounts, which are not subject to withdrawal restrictions or penalties with a maturity of three months or less at the time of purchase and their equity in the Monterey County Treasurer's investment pool to be cash equivalents.

Concentrations

The School has deposits in financial institutions that at times reflect a total balance greater than the Federal Deposit Insurance Corporation's \$250,000 maximum insurable at each institution at June 30, 2011. As of June 30, 2011 the School did not have an uninsured cash balance.

Approximately 80% of the School's total support and revenue was provided by the State of California and Monterey County, and 9% was provided by the ISM Foundation for the year ended June 30, 2011.

Accounts and Grants Receivable

Accounts and grants receivable consist of revenue due to the School from the State of California and Monterey County. Due to the nature of these receivables they are believed to be fully collectible and therefore no allowance for doubtful accounts has been established.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events were evaluated through December 7, 2011 the date the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Cash at June 30, 2011 consisted of the following:

Cash invested with the Monterey County Treasury	\$ 374,876
Cash in bank	<u>22,536</u>
	<u>\$ 397,412</u>

In accordance with Education Code Section 41001, the School maintains cash in the Monterey County Treasury. The County pools these funds with those of other charter schools and school districts in the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool.

The County is restricted by Government Code 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, state treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit and repurchase or reverse repurchase agreements.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by the Federal Deposit Insurance Corporation or are collateralized.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

3. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable at June 30, 2011 consisted of the following:

State apportionment	\$ 354,718
Class Size Reduction	71,114
Local source - in-lieu of property taxes	66,637
State Lottery	25,919
Education Jobs	9,269
Other receivables	<u>8,462</u>
	<u>\$ 536,119</u>

4. PROPERTY AND EQUIPMENT

Property and equipment June 30, 2011 consisted of the following:

Computer equipment	\$ 139,633
Classroom equipment	57,828
Library equipment	18,253
Office equipment	10,162
Playground equipment	<u>9,962</u>
	235,838
Accumulated depreciation	<u>(225,093)</u>
	<u>\$ 10,745</u>

5. LINE OF CREDIT

The School obtained an unsecured revolving line of credit with First National Bank in the amount of \$250,000 dated May 13, 2009 due May 13, 2011, with interest at 1% above the Wall Street Journal prime rate. On May 26, 2011 the line of credit was extended for another year, maturing on May 12, 2012. The line of credit is under the same terms as the original agreement. The interest rate was 4.75% at June 30, 2011. The School had no outstanding borrowings under this line of credit at June 30, 2011.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

6. GOVERNMENT GRANTS

Government grants at June 30, 2011 consisted of the following:

Class Size Reduction	\$ 155,590
Education Jobs Fund	59,075
State Lottery	56,187
ARRA-State Fiscal Stabilization Fund	27,803
Other State grants	21,991
Federal Nutrition	4,005
Other Federal grants	<u>908</u>
	<u>\$ 325,559</u>

7. LEASES

Effective July 1, 2006, the School renewed their lease for its facility for a term of 5 years. The lease was payable in monthly installments of \$7,533. On July 1, 2009, the School entered into a 2 year addendum to the original lease dated July 1, 2006 for additional classroom space. The lease for the additional classroom is payable in monthly installments of \$272. Lease expense totaled \$93,660 for the year ended June 30, 2011, and was included in rentals, leases and repair expenses on the Statement of Functional Expenses.

On April 11, 2011 the School entered into a one year addendum, extending the lease through June 30, 2012. The annual fee for 2011-2012 will be \$93,660.

8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

State Teachers' Retirement System

Plan Description

The International School of Monterey contributes to STRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.00% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The School's contribution to STRS for the fiscal year ended June 30, 2011, was \$104,147 and equals 100% of the required contribution for that year.

Public Employees' Retirement System

Plan Description

The School contributes to the School Employer Pool under the 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, within 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.

Funding Policy

Active plan members are required to contribute 7.00% of their salary (7.00% of monthly salary in excess of \$133 if the member participates in Social Security), and the School is required to contribute an actuarially determined rate. The

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 2010-2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The School's contribution to CalPERS for the fiscal year ended June 30, 2011, was \$45,224 and equals 100% of the required contribution for that year.

9. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The School has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Sick Leave

Sick leave is accumulated for each fulltime employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

Paid-Time-Off

Full-time salaried employees accrue two days of paid-time-off (PTO) per year. Employees can carryover any unused PTO to the following year. The amount of PTO that can be carried over is unlimited. An employee whose employment terminates is paid for their accrued unused PTO on a pro-rata basis. PTO liability is calculated using the employee's fiscal year end PTO balances multiplied by the employee's fiscal year end rate of pay.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

10. OVERSIGHT COSTS

In January 2007, the School executed a Memorandum of Understanding (MOU) with the Monterey Peninsula Unified School District (MPUSD) to provide oversight services. Both the School and MPUSD agreed to review this MOU annually. Oversight costs totaled \$11,465 for the year ended June 30, 2011 and are included in professional, consulting and other operating expenses on the Statement of Functional Expenses.

11. CONTRIBUTED SERVICES

No amounts have been recorded in the financial statements for donated services because they do not meet the criteria for recognition under generally accepted accounting principles. The School pays for most services requiring specific expertise. However, many individuals volunteer their time in performing a variety of tasks that assist the School with its programs, administration and fundraising.

12. RELATED PARTY TRANSACTIONS

The School receives financial support from the ISM Foundation. During the year ended June 30, 2011, the School received \$275,880 from the ISM Foundation, which was approximately 9% of total revenue and support.

13. RESERVES

As a part of the MOU between the School and MPUSD, the School is required to maintain a 3% reserve of the ending fund balance. At June 30, 2011, the School was in compliance with regard to the reserved fund balance.

The calculation to determine whether the School has met the reserve requirement is based upon governmental reporting requirements. Differences exist between governmental financial reporting and nonprofit financial reporting. These financial statements have been prepared under nonprofit financial reporting requirements. The following reconciliation is necessary to detail the primary differences between governmental and nonprofit reporting.

**THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

13. RESERVES (Continued)

The reconciliation as of June 30, 2011 is as follows:

Ending Net Assets – Unrestricted, page 4	\$ 700,406
Adjustments:	
Depreciation	7,472
Repayments on line of credit	(80,000)
Difference between governmental financial reporting and nonprofit financial reporting from prior years	<u>213,267</u>
Ending Fund Balance	<u><u>\$ 841,145</u></u>
Total outgo for governmental reporting purposes is calculated as follows:	
Total expenses, page 6	\$ 2,936,080
Repayments of cash advances, page 7	<u>80,000</u>
Total outgo	<u><u>\$ 3,016,080</u></u>
Available reserves as a percentage of total outgo	<u><u>27.89%</u></u>

SUPPLEMENTARY INFORMATION

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

ORGANIZATION

FOR THE YEAR ENDED JUNE 30, 2011

The International School of Monterey (School) was chartered by the Monterey Peninsula Unified School District on August 6, 2001. The State Board of Education (SBE) assigned the School the charter number 429 on December 5, 2001.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Paul Gaucher	Chair	6/30/2012
John Tilley	Vice Chair	6/30/2012
Alastair Rodd	Secretary	6/30/2012
Chris Steinbruner	Treasurer	6/30/2013
Cristofer Cabanillas	Trustee	6/30/2011
Lauren Cohen	Trustee	6/30/2013
Roberta Infelise	Trustee	6/30/2013
Valerie Josephson	Trustee	6/30/2011
Kaustubh Khandelwal	Trustee	6/30/2013
Sunder Ramaswamy	Trustee	6/30/2011
Christine Balbo Reed	Trustee	6/30/2011
Plasha Fielding Will	Trustee	6/30/2012

Administration

Sean Madden
Director

Eric Pearlstein
Principal and Head of Academics

Lisa Griffin Burns
Operations and HR Manager

**THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)**

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Resident		
Kindergarten	35	35
Grades One through Three	110	111
Grades Four through Six	124	124
Grades Seven and Eight	<u>79</u>	<u>78</u>
Resident Elementary Totals	<u>348</u>	<u>348</u>
Non-resident		
Kindergarten	4	4
Grades One through Three	14	14
Grades Four through Six	23	23
Grades Seven and Eight	<u>15</u>	<u>15</u>
Non-Resident Elementary Totals	<u>56</u>	<u>56</u>
ADA GRAND TOTAL	<u>404</u>	<u>404</u>
(Total ADA was generated through classroom-based instruction)		

Average daily attendance (ADA) is a measurement 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 the School. This schedule provides information regarding the attendance of students at various grade levels.

**THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)**

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grade Level</u>	<u>Minimum Minutes Required</u>	<u>2010 – 2011 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	34,971	51,670	180	Complied
Grades 1 st – 2 nd	48,960	57,100	180	Complied
Grade 3 rd	48,960	58,650	180	Complied
Grades 4 th – 8 th	52,457	59,650	180	Complied

This schedule presents information on the amount of instruction time offered by the School and whether the School complied with the provisions of Education Code Sections 46201.2. The School received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day.

OTHER INDEPENDENT AUDITORS' REPORTS



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**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**

Board of Trustees
The International School of Monterey
Seaside, California

We have audited the financial statements of The International School of Monterey (School) as of and for the year ended June 30, 2011 and have issued our report thereon dated December 7, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented or detected and corrected in a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Education, Monterey County Office of Education and Monterey Peninsula Unified School District.

Bianchi, Kasavan & Pope, LLP

Salinas, California
December 7, 2011



BIANCHI, KASAVAN & POPE, LLP
Certified Public Accountants & Business Consultants

Robert W. Bianchi, CPA
Gail A. Delorey, CPA
Charles D. Doglione, CPA
Joseph A. Garcia, CRTP
Connie Glosser, CPA
Mary Hubbell, CRTP
Carla S. Hudson, CPA, ABV
David G. Huey, CPA
Jesse Lopez, CPA
Kris Nolan, CPA
Gordon A. Rubbo, CPA

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
The International School of Monterey
Seaside, California

We have audited The International School of Monterey compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-2011*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following, applicable to The International School of Monterey's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of The International School of Monterey's management. Our responsibility is to express an opinion on The International School of Monterey's compliance based on our audit.

We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-2011*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about The International School of Monterey's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The International School of Monterey's compliance with those requirements.

In our opinion, The International School of Monterey complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

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

<u>Program Description (for Charter Schools)</u>	<u>Number of Procedures</u>	<u>Procedures Performed</u>
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	N/A
Charter School with only one school	4	Yes
After School Education and Safety		
General Requirements	4	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Nonclassroom-Based Instruction/		
Independent Study	15	N/A
Determination of Funding		
Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes –		
Classroom Based	3	Yes

This report is intended solely for the information and use of the governing board, audit committee, management, California Department of Education, State Controller's Office, Monterey County Office of Education and Monterey Peninsula Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

Bianchi, Kasavan & Pope, LLP

Salinas, California
December 7, 2011

**AUDIT FINDINGS
AND
QUESTIONED COSTS**

**THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

A. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None noted.

B. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None noted.