



INTERNATIONAL SCHOOL OF MONTEREY

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2015**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

INTERNATIONAL SCHOOL OF MONTEREY
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JUNE 30, 2015

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of International School of Monterey ("ISM") which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Christy White, CPA

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State Board of Accountancy*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International School of Monterey as of June 30, 2015, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of International School of Monterey taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of the Charter'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.



San Diego, California
October 12, 2015

INTERNATIONAL SCHOOL OF MONTEREY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 1,303,277
Accounts receivable	75,503
Prepaid expenses	102,036
Total current assets	<u>1,480,816</u>

Capital assets

Furniture and equipment	64,039
Less accumulated depreciation	<u>(61,665)</u>
Capital assets, net	<u>2,374</u>
Total Assets	<u>\$ 1,483,190</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 399,244
Compensated absences	22,757
Deferred compensation	<u>65,451</u>
Total liabilities	<u>487,452</u>

Net assets

Unrestricted	940,725
Temporarily restricted	<u>55,013</u>
Total net assets	<u>995,738</u>
Total Liabilities and Net Assets	<u>\$ 1,483,190</u>

The notes to the financial statements are an integral part of this statement.

INTERNATIONAL SCHOOL OF MONTEREY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 1,493,746	\$ -	\$ 1,493,746
Other federal revenues	77,478	-	77,478
Other state revenues	191,915	-	191,915
Total federal and state support and revenues	1,763,139	-	1,763,139
Local support and revenues			
Payments in lieu of property taxes	1,225,990	-	1,225,990
Grants and donations	229,597	53,865	283,462
Investment income, net	4,757	-	4,757
Student body activities	26,472	-	26,472
Afterschool care fees	97,267	-	97,267
Other local revenues	23,065	-	23,065
Total local support and revenues	1,607,148	53,865	1,661,013
Donor restrictions satisfied	124,944	(124,944)	-
Total Support and Revenues	3,495,231	(71,079)	3,424,152
EXPENSES			
Program services	3,037,500	-	3,037,500
Supporting services			
Management and general	300,249	-	300,249
Fundraising	29,747	-	29,747
Total Expenses	3,367,496	-	3,367,496
CHANGE IN NET ASSETS	127,735	(71,079)	56,656
Net Assets - Beginning	812,990	126,092	939,082
Net Assets - Ending	\$ 940,725	\$ 55,013	\$ 995,738

The notes to the financial statements are an integral part of this statement.

INTERNATIONAL SCHOOL OF MONTEREY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 1,494,381	\$ 116,657	\$ 16,665	\$ 1,627,703
Classified salaries	328,460	73,134	-	401,594
Deferred compensation	249,756	17,834	1,276	268,866
Payroll taxes	66,332	6,633	737	73,702
Other employee benefits	209,967	20,996	2,333	233,296
Total personnel expenses	2,348,896	235,254	21,011	2,605,161
Non-personnel expenses				
Books and supplies	195,691	9,023	-	204,714
Insurance	28,350	7,087	-	35,437
Occupancy	107,243	12,215	-	119,458
Professional services	94,112	26,324	8,736	129,172
Depreciation	651	163	-	814
Payments to authorizing agency	228,398	6,799	-	235,197
Other operating expenses	34,159	3,384	-	37,543
Total non-personnel expenses	688,604	64,995	8,736	762,335
Total Expenses	\$ 3,037,500	\$ 300,249	\$ 29,747	\$ 3,367,496

The notes to the financial statements are an integral part of this statement.

INTERNATIONAL SCHOOL OF MONTEREY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 56,656
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	814
(Increase) decrease in operating assets	
Accounts receivable	151,625
Prepaid expenses	(73,038)
Increase (decrease) in operating liabilities	
Accounts payable	53,384
Compensated absences	81
Deferred compensation	5,654
Net cash provided by (used in) operating activities	<u>195,176</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 195,176
 Cash and cash equivalents - Beginning	 <u>1,108,101</u>
 Cash and cash equivalents - Ending	 <u>\$ 1,303,277</u>
 Cash paid for interest	 <u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

International School of Monterey (“ISM”) is a nonprofit public benefit corporation, incorporated on May 26, 1998 with the mission to educate all children toward becoming conscientious, compassionate, and responsible citizens of the world. ISM operates a charter school approved by the State Board of Education in December 2001 as California Charter No. 0429.

ISM is authorized to operate as a charter school through the Monterey Peninsula Unified School District (the “authorizing agency”) serving students in kindergarten through eighth grade. On November 1, 2010, the Board of Education for Monterey Peninsula Unified School District approved a charter renewal for ISM for a five year term beginning July 1, 2011 and expiring on June 30, 2016. As of the 2014-15 school year, the International School of Monterey is authorized by the International Baccalaureate as an IB World School offering the Primary Years and Middle Years Programmes. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

ISM’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

International School of Monterey is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Trustees and management’s discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Charter’s financial statement presentation.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to International School of Monterey. Revenues are recognized by ISM when earned.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

H. Income Taxes

International School of Monterey is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. International School of Monterey is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, ISM is not required to register with the California Attorney General as a charity.

International School of Monterey's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. ISM's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

I. Cash and Cash Equivalents

International School of Monterey considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Investments

ISM's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

K. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2015, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

L. Capital Assets

International School of Monterey has adopted a policy to capitalize asset purchases over \$1,500. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or is requiring ISM to hold the asset for a specified period of time. Capital assets are depreciated using the straight-line method. Depreciation is based on the following useful lives:

<u>Equipment Type</u>	<u>Useful Life in Years</u>
Classroom	5
Computer	3 – 5
Library	5
Office	5
Playground	5

M. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2015, consist of the following:

Cash in county treasury	\$ 1,000,048
Cash in banks, non-interest bearing	303,229
Total Cash and Cash Equivalents	<u>\$ 1,303,277</u>

Cash in Banks – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. International School of Monterey does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2015, \$129,664 of International School of Monterey's bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in Pacific Valley Bank.

Cash in County Treasury

International School of Monterey is a voluntary participant in an external investment pool. The fair value of ISM's investment in the pool is reported in the financial statements at amounts based upon ISM's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

Except for investments by trustees of debt proceeds, the authority to invest ISM funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015, consists of the following:

Federal sources	\$ 17,175
State sources, non-LCFF	45,445
Local sources	12,883
Total Accounts Receivable	\$ 75,503

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2015 consists of the following:

	Beginning Balance			Ending Balance
	July 1, 2014	Additions	Disposals	June 30, 2015
Furniture and fixtures	\$ 56,932	\$ -	\$ -	\$ 56,932
Computer equipment	49,569	-	42,462	7,107
Total at historical cost	106,501	-	42,462	64,039
Less: accumulated depreciation	(103,313)	(814)	(42,462)	(61,665)
Capital Assets, net	\$ 3,188	\$ (814)	\$ -	\$ 2,374

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2015, consists of the following:

Due to authorizing agency	\$ 214,727
Overpayment of revenues	137,945
Vendor payables	46,572
Total Accounts Payable	\$ 399,244

NOTE 6 – NET ASSETS

Temporarily restricted net assets for the year ended June 30, 2015 are as follows:

Restricted state funding sources	
Proposition 39 California Clean Energy Act	\$ 50,829
Enhance academic programs emphasizing:	
Tennis program	500
Literacy support	3,684
Total Temporarily Restricted Net Assets	\$ 55,013

NOTE 7 – DONATED MATERIALS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to International School of Monterey in an effort to advance the school's programs and objectives. These services have not been recorded in ISM's financial statements because they do not meet the criteria required by generally accepted accounting principles.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

International School of Monterey 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.

Multi-employer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$1,753,110 as of June 30, 2014. Also as of June 30, 2014, CalPERS has estimated the Charter's share of withdrawal liability to be \$408,688. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 9 for additional information on employee retirement plans.

Joint Powers Agency (JPA)

During the year ended June 30, 2015, International School of Monterey participated in a joint venture with CharterSafe, previously the California Charter Schools Joint Powers Authority. CharterSafe arranges for insurance coverage related to property, general liability, automobile, worker's compensation, and other miscellaneous liability coverage specific to operation of a charter school. The relationship between ISM and the JPA is such that the JPA is not financially inter-related to ISM for financial reporting purposes. Premiums paid to Charter Safe totaled \$49,835 for the period ended June 30, 2015.

Line of Credit

International School of Monterey obtained a revolving line of credit with Pacific Valley Bank in the amount of \$250,000. ISM grants Pacific Valley Bank a continuing lien and security interest in any and all deposits as security for full and punctual payment. ISM had no outstanding loan payable under this line of credit as of June 30, 2015.

Facility Use Agreement

On June 12, 2012, International School of Monterey renewed its facilities use agreement with the Monterey Peninsula Unified School District, the authorizing agency, beginning July 1, 2012 and ending June 30, 2017. The total facility charge paid by International School of Monterey to the authorizing agency during the fiscal year ended June 30, 2015 was \$93,660. Future minimum lease payments are as follows:

<u>Fiscal year ending June 30,</u>	<u>Lease Payment</u>
2016	93,660
2017	93,660
Total Future Lease Payments	\$ 187,320

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description

International School of Monterey 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. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.15% of their salary. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2014-15	\$ 127,638	100%
2013-14	\$ 116,284	100%
2012-13	\$ 116,770	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for International School of Monterey is estimated at \$83,969 (5.679% of creditable compensation subject to CalSTRS in 2012-13).

California Public Employees' Retirement System (CalPERS)

Plan Description

International School of Monterey 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, 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.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

California Public Employees Retirement System (CalPERS) (continued)

Funding Policy

Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

International School of Monterey 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 for fiscal year 2014-15 was 11.771%. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2014-15	\$ 57,259	100%
2013-14	\$ 36,126	100%
2012-13	\$ 49,003	100%

NOTE 10 – RELATED PARTY TRANSACTIONS

Authorizing Agency

International School of Monterey makes payments to the authorizing agency, Monterey Peninsula Unified School District, to provide required services for special education in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees paid to the authorizing agency for oversight amounted to \$27,197 and total payments for special education and other services amounted to \$208,000 for the fiscal year ending June 30, 2015. ISM is also in an agreement with the authorizing agency for facilities usage (see Note 8).

Education Foundation

International School of Monterey receives local contributions from the International School of Monterey Foundation. The Foundation is a tax exempt organization under IRS code section 501(c)(3) with the primary purpose of generating funding to support the International School of Monterey. The Foundation is governed by a five member board comprised of parents and other individual supporters of the Charter; including two members of the governing board for ISM. During the year ended June 30, 2015, the Foundation made \$132,000 in unrestricted contributions to ISM.

NOTE 11 – SUBSEQUENT EVENTS

International School of Monterey has evaluated subsequent events for the period from June 30, 2015 through October 12, 2015, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION SECTION

INTERNATIONAL SCHOOL OF MONTEREY
CHARTER ORGANIZATIONAL STRUCTURE
JUNE 30, 2015

International School of Monterey, located in Monterey County, was formed as a nonprofit public benefit corporation in May 1998 and approved by the State Board of Education in December 2001 under Charter No. 0429. Classes began in September 2001 for grades K – 8. International School of Monterey’s charter petition was approved by the Board of Education for Monterey Peninsula Unified School District, the authorizing agency. During 2014-15, International School of Monterey served approximately 416 students.

BOARD OF TRUSTEES		
Name	Office	Term Expiration
Chris Steinbruner, CPA	Chair	June 2016
Sunder Ramaswamy, Ph.D.	Vice Chair	June 2017
Cristofer Cabanillas, CFP	Treasurer	June 2017
Lauren Cohen	Secretary	June 2016
Patricia Adura-Miranda, J.D.	Trustee	June 2017
John Bailey, J.D.	Trustee	June 2015
Kevin Brookhouse	Trustee	June 2017
Justine Geisler	Trustee	June 2017
Roberta Infelise, Ed.D.	Trustee	June 2016
Valerie Josephson, M.D.	Trustee	June 2017
Kelly Sorenson	Trustee	June 2015

ADMINISTRATION

Sean Madden
Director

Catherine Glick
Principal

Lisa Griffin Burns
Operations & HR Manager

**INTERNATIONAL SCHOOL OF MONTEREY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Span	Classroom Based	
	Second Period	
	Report	Annual Report
Kindergarten through third	162.71	162.54
Fourth through sixth	146.35	146.21
Seventh through eighth	96.42	95.73
Total Average Daily Attendance - Classroom Based	405.48	404.48

The Charter had no Non-Classroom Based ADA in 2014-15.

INTERNATIONAL SCHOOL OF MONTEREY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Span	Minutes Requirement	2014-15 Actual Minutes	Number of Days	Status
Kindergarten	34,971	58,870	180	Complied
Grades 1 through 3	48,960	57,400	180	Complied
Grades 4 through 8	52,457	60,240	180	Complied

See accompanying note to supplementary information.

INTERNATIONAL SCHOOL OF MONTEREY
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments made to reconcile fund balance reported on the Financial Report- Alternative Form to net assets per the audited financial statements for the year ended June 30, 2015.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES

A. Charter Organizational Structure

This schedule provides information about the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter 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.

C. Schedule of Instructional Time

International School of Monterey receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by the International School of Monterey and whether the Charter complied with the provisions of *Education Code Section 46200 through 46208*. Through 2014-15, the instructional day and minutes requirements have been reduced pursuant to Education Code Section 46201.2.

D. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditor's Report

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

We have audited, 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, the financial statements of International School of Monterey ("ISM") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") to determine the auditing 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 the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

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State Board of Accountancy*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter'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*.

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 Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
October 12, 2015

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on State Compliance

We have audited International School of Monterey's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of International School of Monterey's state programs for the fiscal year ended June 30, 2015, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of International School of Monterey's state programs based on our audit of the types of compliance requirements referred to above. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about 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 on compliance with the requirements referred to above. However, our audit does not provide a legal determination of International School of Monterey's compliance with those requirements.

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Opinion on State Compliance

In our opinion, International School of Monterey complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

Procedures Performed

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

Description	Procedures Performed
School Districts and Charter Schools	
California Clean Energy Jobs Act	No
After School Education and Safety Program:	
General Requirements	Not applicable
After School	Not applicable
Before School	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for	
Charter Schools	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

We did not perform procedures over California Clean Energy Jobs Act because there were no funds expended in 2014-15.

Christy White Associates

San Diego, California
October 12, 2015

FINDINGS AND QUESTIONED COSTS SECTION

**INTERNATIONAL SCHOOL OF MONTEREY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

International School of Monterey did not expend \$500,000 in federal expenditures in fiscal year 2014-15; therefore, this area is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

INTERNATIONAL SCHOOL OF MONTEREY
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no audit findings related to the financial statements during 2014-15.

INTERNATIONAL SCHOOL OF MONTEREY
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments

There were no audit findings and questioned costs related to state awards during 2014-15.

INTERNATIONAL SCHOOL OF MONTEREY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

There were no audit findings during 2013-14.