



INTERNATIONAL SCHOOL OF MONTEREY

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2019

A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL

International School of Monterey (Charter No. 0429)

INTERNATIONAL SCHOOL OF MONTEREY
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JUNE 30, 2019

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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, 2019, 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 from 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.

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, 2019, 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.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 1M to the financial statements, in 2018-19 International School of Monterey adopted new accounting guidance, ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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 14, 2019, 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 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 the Charter'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 the Charter's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
October 14, 2019

INTERNATIONAL SCHOOL OF MONTEREY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$ 1,039,960
Accounts receivable	65,545
Prepaid expenses	<u>126,097</u>
Total current assets	<u>1,231,602</u>

Capital assets

Property and equipment	67,018
Less accumulated depreciation	<u>(57,187)</u>
Capital assets, net	<u>9,831</u>
Total Assets	<u>\$ 1,241,433</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 329,657
Compensated absences	23,385
Deferred compensation	<u>80,617</u>
Total liabilities	<u>433,659</u>

Net assets

Without donor restrictions	661,056
With donor restrictions	<u>146,718</u>
Total net assets	<u>807,774</u>
Total Liabilities and Net Assets	<u>\$ 1,241,433</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 1,708,042	\$ -	\$ 1,708,042
Federal revenues	33,603	-	33,603
Other state revenues	817,480	25,000	842,480
Total federal and state support and revenues	2,559,125	25,000	2,584,125
Local support and revenues			
Payments in lieu of property taxes	1,605,297	-	1,605,297
Grants and donations	70,975	5,500	76,475
Investment income, net	13,753	-	13,753
Student body activities	26,484	-	26,484
Afterschool care fees	96,651	-	96,651
Other local revenues	257,441	-	257,441
Total local support and revenues	2,070,601	5,500	2,076,101
Donor restrictions satisfied	33,145	(33,145)	-
Total Support and Revenues	4,662,871	(2,645)	4,660,226
EXPENSES			
Program services	4,347,378	-	4,347,378
Supporting services			
Management and general	419,378	-	419,378
Fundraising	41,055	-	41,055
Total Expenses	4,807,811	-	4,807,811
CHANGE IN NET ASSETS	(144,940)	(2,645)	(147,585)
Net Assets - Beginning	805,996	149,363	955,359
Net Assets - Ending	\$ 661,056	\$ 146,718	\$ 807,774

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, 2019**

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 1,854,798	\$ 133,195	\$ 19,028	\$ 2,007,021
Non-certificated salaries	404,511	92,237	-	496,748
Deferred compensation	839,196	67,075	7,715	913,986
Payroll taxes	92,452	9,245	1,027	102,724
Other employee benefits	340,025	34,002	3,778	377,805
Total personnel expenses	3,530,982	335,754	31,548	3,898,284
Non-personnel expenses				
Books and supplies	253,796	8,760	-	262,556
Insurance	25,281	6,320	-	31,601
Facilities	93,683	10,686	-	104,369
Professional services	168,022	44,420	9,123	221,565
Interest expense	-	813	-	813
Depreciation	456	114	-	570
Payments to authorizing agency	234,695	8,399	-	243,094
Other operating expenses	40,463	4,112	384	44,959
Total non-personnel expenses	816,396	83,624	9,507	909,527
Total Expenses	\$ 4,347,378	\$ 419,378	\$ 41,055	\$ 4,807,811

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (147,585)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	570
(Increase) decrease in operating assets	
Accounts receivable	23,708
Prepaid expenses	(43,531)
Increase (decrease) in operating liabilities	
Accounts payable	(3,027)
Compensated absences	(565)
Deferred compensation	3,366
Net cash provided by (used in) operating activities	<u>(167,064)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (167,064)

Cash and cash equivalents - Beginning 1,207,024

Cash and cash equivalents - Ending \$ 1,039,960

SUPPLEMENTAL DISCLOSURE

Cash paid for interest \$ 813

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

International School of Monterey (“ISM” or the “Charter”) 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 10, 2015, the Board of Directors of the authorizing agency approved a charter renewal for a five-year term beginning July 1, 2016 and expiring on June 30, 2021.

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

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018.

Under the Guide, International School of Monterey is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, the Charter also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

E. 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.

F. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

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.

G. 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.

H. Cash and Investments

International School of Monterey considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. 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. Investment return is presented net of any investment fees.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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, 2019, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

J. Capital Assets

International School of Monterey has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

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

K. 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.

L. 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Change in Accounting Principle

Not-for-Profit Financial Reporting Model Standard

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The implementation had no impact on the previously reported total net assets as of July 1, 2018. Total beginning net assets were unrestricted and have therefore been fully reclassified as net assets without donor restrictions under the new accounting principle.

Revenue Recognition

In May 2014, the International Accounting Standards Board (IASB) and FASB issued a joint accounting standard on revenue recognition to address a number of concerns regarding the complexity and lack of consistency surrounding the accounting for revenue transactions. Consistent with each board's policy, FASB and IASB issued new reporting standards on revenue recognition. FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in FASB ASU No. 2016-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605 *Revenue Recognition*. The guidance was originally effective for public entities for the fiscal year beginning after December 15, 2016. In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to allow entities additional time to implement systems, gather data, and resolve implementation questions. The new requirements are to be applied to fiscal years beginning after December 17, 2017. This accounting principle has no impact on the Charter for the fiscal year ended June 30, 2019 as the Charter did not have significant involvement in contract services.

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.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New Accounting Pronouncement

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and is effective for public business entities for fiscal years beginning after December 15, 2018. The Charter will determine the impact on the financial statements once implemented for the fiscal year ending June 30, 2020.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019, consist of the following:

Cash in county treasury	\$ 777,770
Cash in banks, non-interest bearing	262,190
Total Cash and Cash Equivalents	<u>\$ 1,039,960</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, 2019, International School of Monterey's bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 at any one insured bank.

Cash in County Treasury

Policies and Practices

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.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Charter has managed its exposure to interest rate risk by investing in the County Treasury. The Charter's investments in the Monterey County Investment Pool, which combines the Charter's share of the portfolio, has a combined fair value of \$776,971 and an amortized book value of \$777,770 as of June 30, 2019. The average weighted maturity for this pool is 337 days.

Fair Value Measurement

Investments in the Monterey County Treasury investment pools are not measured using the fair value input levels noted in Note 1N because the Charter's transactions are based on a stable net asset value per share. All contributions and redemptions are transactions at \$1.00 net asset value per share.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

General Authorizations

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, 2019, consists of the following:

Federal sources	\$	13,030
State sources (non-LCFF)		51,993
Local sources		522
Total Accounts Receivable	\$	65,545

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2019 consists of the following:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Site and leasehold improvements	\$ 11,398	\$ -	\$ -	\$ 11,398
Furniture and fixtures	55,620	-	-	55,620
Total property and equipment	67,018	-	-	67,018
Less accumulated depreciation	(56,617)	(570)	-	(57,187)
Capital Assets, net	\$ 10,401	\$ (570)	\$ -	\$ 9,831

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2019, consists of the following:

Due to authorizing agency	\$	209,500
Due to grantor governments		46,069
Employee retirement benefits		128
Payroll liabilities		7,717
Other vendor payables		66,243
Total Accounts Payable	\$	329,657

NOTE 6 – NET ASSETS

Net Assets with and without Donor Restrictions

As of June 30, 2019, the Charter's net assets with and without donor restrictions consist of the following:

Restricted state funding sources		
California clean energy jobs act	\$	131,474
SUMS MTSS grant		10,106
Enhance academic programs emphasizing:		
Literacy support		4,999
Classroom agriculture		139
Total Net Assets with Donor Restrictions	\$	146,718
Net investment in capital assets	\$	9,831
Undesignated		651,225
Total Net Assets without Donor Restrictions	\$	661,056

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action. International School of Monterey maintains a line of credit (as mentioned in Note 9) which could be drawn upon to ensure financial assets are available as general expenditures and other obligations become due.

Financial assets		
Cash and cash equivalents	\$	1,039,960
Accounts receivable, current portion		65,545
Prepaid expenses		126,097
Total Financial Assets, excluding noncurrent	\$	1,231,602
Contractual or donor-imposed restrictions		
Cash restricted by others for specific uses		(146,718)
Financial Assets available to meet cash needs for expenditures within one year	\$	1,084,884

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 8 – 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). The Charter also offers social security to all employees as an alternative plan to those who may not qualify for CalSTRS or CalPERS retirement plans.

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 10.25% or 10.205% of their 2018-19 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2018-19 was 16.28% 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
2018-19	\$ 517,753	100%
2017-18	\$ 234,842	100%
2016-17	\$ 181,194	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 \$253,726. The on-behalf payment amount is computed as the proportionate share of total 2017-18 State on-behalf contributions plus an additional supplemental contribution for fiscal year 2018-19 due to California Senate Bill No. 90.

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, 2019

NOTE 8 – 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 6.5% 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 2018-19 was 18.062%. 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
2018-19	\$ 110,318	100%
2017-18	\$ 70,843	100%
2016-17	\$ 60,222	100%

On-Behalf Payments

The Charter was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of one-time contributions of approximately \$32,182 to CalPERS on-behalf of International School of Monterey for the fiscal year 2018-19 due to California Senate Bill No. 90.

NOTE 9 – 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. California State Teachers' Retirement System (CalSTRS) has estimated that the Charter's share of withdrawal liability is approximately \$2,779,384 as of June 30, 2019. Also, as of June 30, 2019, California Public Employees' Retirement System (CalPERS) has estimated the Charter's share of withdrawal liability to be \$948,092. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 8 for additional information on employee retirement plans.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued)

Joint Powers Agency (JPA)

During the year ended June 30, 2019, 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 CharterSafe totaled \$60,080 for the period ended June 30, 2019.

Line of Credit

International School of Monterey holds an agreement with Pacific Valley Bank for a revolving line of credit in the amount of \$250,000. ISM had no outstanding principal balance under this line of credit as of June 30, 2019.

Facility Use Agreement

On November 15, 2016, International School of Monterey entered into a facilities use agreement with the Monterey Peninsula Unified School District, the authorizing agency, beginning July 1, 2017 and ending June 30, 2022 with an automatic five-year renewal period ending June 30, 2027. The total facility charge paid by International School of Monterey to the authorizing agency during the fiscal year ended June 30, 2019 was \$101,302. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2020	\$ 105,354
2021	109,568
2022	113,951
2023	118,509
2024	123,249
Thereafter	400,125
Total	<u>\$ 970,756</u>

NOTE 10 – 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, 2019

NOTE 11 – 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 \$33,594 and total payments for special education and other services amounted to \$209,500 for the fiscal year ending June 30, 2019. ISM is also in an agreement with the authorizing agency for facilities usage (see Note 9)

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, 2019, the Foundation made \$223,461 in unrestricted contributions to ISM.

NOTE 12 – SUBSEQUENT EVENTS

International School of Monterey has evaluated subsequent events for the period from June 30, 2019 through October 14, 2019, 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, 2019**

International School of Monterey, located in Monterey County, was formed as a nonprofit public benefit corporation in May 1998 and was numbered by the State Board of Education in December 2001 as 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 2018-19, International School of Monterey served approximately 419 students.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Cristofer Cabanillas, CFP	Chair	June 2020
Patricia Adura-Miranda, J.D.	Vice Chair	June 2020
Allison Barrientos, CPA	Treasurer	June 2021
Lauren Cohen	Secretary	June 2019
Kera Abraham Panni	Trustee	June 2019
John Bailey, J.D.*	Trustee	June 2021
Lynn Bentaleb	Trustee	June 2019
Kevin Brookhouser	Trustee	June 2020
Ronnie Higgs, Ph.D.	Trustee	June 2020
Roberta Infelise, Ed.D.	Trustee	June 2019
Valerie Josephson, M.D.	Trustee	June 2020
Kate Mitchell Mehle	Trustee	June 2020

ADMINISTRATION

Sean Madden
Director

Jessica Allen
Principal

Lisa Wichaël-Loomis
Operations Manager

** Board member resigned as of June 7, 2019*

**INTERNATIONAL SCHOOL OF MONTEREY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	Second Period Report	Annual Report
<i>Certificate No.</i>	<i>9174C463</i>	<i>DE64A924</i>
	Classroom-Based	
Grade Span		
Kindergarten through third	164.00	163.93
Fourth through sixth	144.60	145.13
Seventh through eighth	95.16	94.25
Total Average Daily Attendance - Classroom-Based	403.76	403.31

The Charter had no Nonclassroom-Based ADA in 2018-19.

**INTERNATIONAL SCHOOL OF MONTEREY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Span	Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	58,870	180	Complied
Grades 1 through 3	50,400	58,110	180	Complied
Grades 4 through 8	54,000	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, 2019**

There were no adjustments made to reconcile fund balance reported on the Financial Report- Alternative Form (Charter School Unaudited Actuals) to net assets per the audited financial statements for the year ended June 30, 2019.

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*.

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 (Charter School Unaudited Actuals) 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**

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, 2019, 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 14, 2019.

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.

Compliance and Other Matters

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

Christy White, Inc.

San Diego, California

October 14, 2019

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, 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, 2019, 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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.

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 following table for the year ended June 30, 2019.

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, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not applicable
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

Christy White, Inc.

San Diego, California
October 14, 2019

FINDINGS AND QUESTIONED COSTS SECTION

**INTERNATIONAL SCHOOL OF MONTEREY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

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>None</u>

Federal Awards

*The Charter did not expend more than \$750,000 in federal awards;
therefore, a Federal Single Audit under OMB Uniform Grant Guidance
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, 2019**

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 2018-19.

**INTERNATIONAL SCHOOL OF MONTEREY
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 2018-19.

**INTERNATIONAL SCHOOL OF MONTEREY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING 2018-001: MODE OF INSTRUCTION (40000)

Criteria: Pursuant to California Code of Regulations (CCR) Title 5 §11963, classroom-based instruction must meet four requirements, one of which states that the charter school's pupils are to be under the immediate supervision of an employee of the charter school who is authorized to provide instruction to pupils within the meaning of Education Code (Ed Code) Section 47605(l). Per Ed Code Section 47605(l), teachers in charter schools shall hold a Commission on Teacher Credentialing certificate, permit or other document equivalent to that which a teacher in other public schools would be required to hold. Auditors are required to verify compliance with such Ed Code in Section BB of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. If not in full compliance of Section BB, the charter school could be eligible for apportionment if found in full compliance with Audit Section CC Nonclassroom-Based Instruction/Independent Study.

Condition: Based on review and testing of teacher certifications for classroom-based instructors, we found that one (1) employee in a teaching position for Grade 2 did not hold an active teaching credential from the period of October 26, 2017 to January 18, 2018. Additionally, requirements of nonclassroom-based instruction were not met by the pupils engaged in instructional activities from the class taught.

Effect: The charter school is not in compliance with State requirements for mode of instruction, which also effects instructional time requirements.

Cause: Management and employee oversight of teaching credential status and expiration date.

Questioned Cost: There is no questioned cost directly related to Mode of Instruction; however, refer to Finding 2018-002 for the questioned cost related to instructional time.

Recommendation: We recommend that all credentials be monitored by management and individual teaching staff to ensure that all members of the charter school's teaching staff hold valid teaching credentials if responsible for the immediate supervision of charter school pupils under classroom-based instruction.

Corrective Action Plan: The ISM Audit Committee agrees with the Auditor that the root cause of both Finding 2018-001 and Finding 2018-002 ("the Findings") was shortcomings in "management and employee oversight of teaching credential status and expiration date." In order to assure that this Corrective Action Plan will fully address all contributing factors and provide solutions that remain effective over the long term, Charter School management and the Committee conducted analysis of specific causes. Based on the analysis of specific causes, the Charter School has planned several actions to address the causes and ensure effective monitoring and management of credentials going forward.

Current Status: Fully implemented.

INTERNATIONAL SCHOOL OF MONTEREY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019

FINDING 2018-002: ANNUAL INSTRUCTIONAL MINUTES – CLASSROOM BASED (40000)

Criteria: In accordance with Education Code 47512.5(a)(1), for each fiscal year, a charter school shall offer a minimum of 50,400 instructional minutes for pupils in grades 1 to 3. Pursuant to California Code of Regulations (CCR) Title 5 §11963, classroom-based instruction must meet four requirements, one of which states that the charter school's pupils are to be under the immediate supervision of an employee of the charter school who is authorized to provide instruction to pupils within the meaning of Education Code (Ed Code) Section 47605(l).

Condition: Based on review and testing of teacher certifications for classroom-based instructors, we found that one (1) employee in a teaching position did not hold an active teaching credential. As a result of a non-credentialed employee providing instruction in core class subjects, the instructional time offered for this portion of the school day cannot be included in instructional time as it did not meet the criteria for classroom-based instruction. Pupils in grade 2 were provided instruction from a non-credentialed employee for the period of October 26, 2017 to January 18, 2018 or 36 school days consisting of 27 regular and 9 minimum days.

Effect: The charter school is not in compliance with State requirements for grades 1-3. Instructional minutes have been reduced for grades 1 – 3 on the schedule of instructional time as follows:

Span	Instructional Minutes Offered			Disallowed Minutes			Minutes Short		
	Regular	Minimum	Total	Regular	Minimum	Total	Required	Offered	Short
1-3	48,280	9,310	57,590	7,025	2,070	9,095	50,400	48,495	1,905

Cause: Management and employee oversight of teaching credential status and expiration date.

Questioned Cost: A total penalty of \$6,174 based on guidance from the California Department of Education (CDE).

Recommendation: We recommend that all credentials be monitored by management and individual teaching staff to ensure that all members of the charter school's teaching staff hold valid teaching credentials if responsible for the immediate supervision of charter school pupils under classroom-based instruction.

Corrective Action Plan: Please see the Corrective Action Plan described under Finding 2018-001.

Current Status: Fully implemented.