



INTERNATIONAL SCHOOL OF MONTEREY

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2020

A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL

International School of Monterey (Charter No. 0429)

FINANCIAL SECTION

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

SUPPLEMENTARY INFORMATION SECTION

Charter Organizational Structure	18
Schedule of Average Daily Attendance	19
Schedule of Instructional Time	20
Reconciliation of Financial Report – Alternative Form with Audited Financial Statements	21
Notes to the Supplementary Information	22

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 <i>Governmental Auditing Standards</i>	23
Report on State Compliance	25

FINDINGS AND QUESTIONED COSTS SECTION

Summary of Auditors' Results	27
Financial Statement Findings	28
State Award Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings and Questioned Costs	30

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 (the "Charter") which comprise the statement of financial position as of June 30, 2020, 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, 2020, 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 November 13, 2020, 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California
November 13, 2020

INTERNATIONAL SCHOOL OF MONTEREY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$ 915,876
Accounts receivable	366,453
Prepaid expenses	<u>15,622</u>
Total current assets	<u>1,297,951</u>
Capital assets	
Property and equipment	197,627
Less accumulated depreciation	<u>(61,757)</u>
Capital assets, net	<u>135,870</u>
Total Assets	<u>\$ 1,433,821</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 338,475
Compensated absences	38,000
Deferred compensation	<u>82,722</u>
Total liabilities	<u>459,197</u>
Net assets	
Without donor restrictions	892,401
With donor restrictions	<u>82,223</u>
Total net assets	<u>974,624</u>
Total Liabilities and Net Assets	<u>\$ 1,433,821</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 1,783,070	\$ -	\$ 1,783,070
Federal revenues	27,525	-	27,525
Other state revenues	306,137	7,179	313,316
Total federal and state support and revenues	2,116,732	7,179	2,123,911
Local support and revenues			
Payments in lieu of property taxes	1,808,946	-	1,808,946
Grants and donations	443,999	28,000	471,999
Afterschool childcare fees	72,106	-	72,106
Student body activities	29,143	-	29,143
Investment income, net	7,838	-	7,838
Other local revenues	25,680	-	25,680
Total local support and revenues	2,387,712	28,000	2,415,712
Donor restrictions satisfied	99,674	(99,674)	-
Total Support and Revenues	4,604,118	(64,495)	4,539,623
EXPENSES			
Program services	3,984,999	-	3,984,999
Supporting services			
Management and general	387,774	-	387,774
Total Expenses	4,372,773	-	4,372,773
CHANGE IN NET ASSETS	231,345	(64,495)	166,850
Net Assets - Beginning	661,056	146,718	807,774
Net Assets - Ending	\$ 892,401	\$ 82,223	\$ 974,624

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, 2020**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 1,872,145	\$ 73,899	\$ 1,946,044
Non-certificated salaries	393,638	118,994	512,632
Deferred compensation	558,379	26,150	584,529
Payroll taxes	92,957	7,309	100,266
Other employee benefits	385,609	33,531	419,140
Total personnel expenses	3,302,728	259,883	3,562,611
Non-personnel expenses			
Books and supplies	178,192	5,908	184,100
Insurance	-	36,906	36,906
Facilities	98,254	8,544	106,798
Professional services	138,368	48,767	187,135
Interest expense	734	64	798
Depreciation	-	4,570	4,570
Payments to authorizing agency	228,122	19,837	247,959
Other operating expenses	38,601	3,295	41,896
Total non-personnel expenses	682,271	127,891	810,162
Total Expenses	\$ 3,984,999	\$ 387,774	\$ 4,372,773

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 166,850
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	4,570
(Increase) decrease in operating assets	
Accounts receivable	(300,908)
Prepaid expenses	110,475
Increase (decrease) in operating liabilities	
Accounts payable	8,818
Compensated absences	14,615
Deferred compensation	2,105
Net cash provided by (used in) operating activities	<u>6,525</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	<u>(130,609)</u>
Net cash provided by (used in) investing activities	<u>(130,609)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (124,084)

Cash and cash equivalents - Beginning 1,039,960

Cash and cash equivalents - Ending \$ 915,876

SUPPLEMENTAL DISCLOSURE

Cash paid for interest	<u>\$ 798</u>
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The notes to the financial statements are an integral part of this statement.

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, 2020

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, 2020, 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. 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.

N. New Accounting Pronouncements

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 effective dates for the new guidance are staggered. Public entities have already implemented the new guidance, and nonprofit entities were required to implement the new guidance for fiscal years beginning after December 15, 2018. In April 2020, FASB voted to delay implementation by one year as a result of COVID-19. The Charter will determine the impact on the financial statements once implemented.

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. In October 2019, FASB approved to delay effective dates for all public business entities, except for SEC filers, to fiscal years beginning after December 15, 2019. In April 2020, FASB voted to delay implementation by one year as a result of COVID-19. The Charter will determine the impact on the financial statements once implemented.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020, consist of the following:

Cash in county treasury	\$ 455,131
Cash in banks, non-interest bearing	460,745
Total Cash and Cash Equivalents	\$ 915,876

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, 2020, \$121,657 of the International School of Monterey's bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at Pacific Valley 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.

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

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

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 \$455,106 and an amortized book value of \$455,131 as of June 30, 2020. The average weighted maturity for this pool is 307 days.

Fair Value Measurement

Investments in the Monterey County Treasury investment pools are not measured using the fair value input levels noted in Note 1M 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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020, consists of the following:

LCFF, state aid	\$	202,993
Federal sources		636
Other state sources		22,655
In lieu property taxes		129,602
Other local sources		10,567
Total Accounts Receivable	\$	366,453

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2020 consists of the following:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Property and equipment				
Site and leasehold improvements	\$ 11,398	\$ 40,000	\$ -	\$ 51,398
Furniture and equipment	55,620	-	-	55,620
Computer equipment	-	14,276	-	14,276
Construction in progress	-	76,333	-	76,333
Total property and equipment	67,018	130,609	-	197,627
Less accumulated depreciation	(57,187)	(4,570)	-	(61,757)
Capital Assets, net	\$ 9,831	\$ 126,039	\$ -	\$ 135,870

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2020, consists of the following:

Due to authorizing agency	\$	221,207
Salaries and benefits		56,701
Vendor payables		60,567
Total Accounts Payable	\$	338,475

NOTE 6 – NET ASSETS

As of June 30, 2020, the Charter's net assets consist of the following:

Restricted state funding sources		
California Clean Energy Jobs Act	\$	51,434
SB 117 COVID-19 LEA Response Funds		4,591
Restricted local funding sources		
Pebble Beach Foundation		5,000
Light Awards Grant		20,000
Mayor's Youth Fund		1,198
Total Net Assets with Donor Restrictions		82,223
Net investment in capital assets		135,870
Undesignated		756,531
Total Net Assets without Donor Restrictions		892,401
Total Net Assets	\$	974,624

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2020, 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	\$	915,876
Accounts receivable, current portion		366,453
Prepaid expenses		15,622
Total Financial Assets, excluding noncurrent		1,297,951
Contractual or donor-imposed restrictions		
Cash restricted by others for specific uses		(82,223)
Financial Assets available to meet cash needs for expenditures within one year	\$	1,215,728

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 2019-20 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2019-20 was 17.10% 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
2019-20	\$ 287,685	100%
2018-19	\$ 264,027	100%
2017-18	\$ 234,842	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 \$206,348. The on-behalf payment amount is computed as the proportionate share of total 2018-19 State on-behalf contributions.

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, 2020

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 2019-20 was 19.721%. 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
2019-20	\$ 90,496	100%
2018-19	\$ 78,136	100%
2017-18	\$ 70,843	100%

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 \$2,711,491 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 \$909,053. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 8 for additional information on employee retirement plans.

Joint Powers Agency (JPA)

During the year ended June 30, 2020, International School of Monterey participated in a joint venture with CharterSafe. 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 \$64,738 for the period ended June 30, 2020.

INTERNATIONAL SCHOOL OF MONTEREY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued)

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, 2020.

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, 2020 was \$105,354. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2021	\$ 109,568
2022	113,951
2023	118,509
2024	123,249
2025	128,179
Thereafter	271,946
Total	<u>\$ 865,402</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.

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 \$35,459 and total payments for special education and other services amounted to \$212,500 for the fiscal year ending June 30, 2020. 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, 2020, the Foundation made \$374,149 in unrestricted contributions to ISM.

NOTE 12 – SUBSEQUENT EVENTS

International School of Monterey has evaluated subsequent events for the period from June 30, 2020 through November 13, 2020, the date the financial statements were available to be issued. As a result of the coronavirus (COVID-19) outbreak, economic uncertainties have arisen which have modified and delayed governmental funding as well as impacted how the Charter operates its programs and activities for the future reporting periods.

At this time, management cannot predict the overall impact of the COVID-19 pandemic, but management continues to monitor the situation, to assess further possible implications to operations, and to take actions in an effort to mitigate adverse consequences. Management did not identify any other transactions or events 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, 2020

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 of Monterey Peninsula Unified School District, the authorizing agency. During 2019-20, International School of Monterey served approximately 422 students.

BOARD OF TRUSTEES		
Name	Office	Term Expiration
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 2022
Kera Abraham Panni	Trustee	June 2022
Sameer Bakhda, M.D.	Trustee	June 2020
Lynn Bentaleb	Trustee	June 2022
Kevin Brookhouser	Trustee	June 2020
Ronnie Higgs, Ph.D.	Trustee	June 2020
Valerie Josephson, M.D.	Trustee	June 2020
Camilla Mann	Trustee	June 2020
Kate Mitchell Mehle	Trustee	June 2020

ADMINISTRATION

Sean Madden
Director

Jessica Allen
Principal

Lisa Wichaël-Loomis
Operations Manager

See accompanying note to supplementary information.

**INTERNATIONAL SCHOOL OF MONTEREY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2020**

	Second Period Report	Annual Report
<i>Certificate No.</i>	<i>65A42244</i>	<i>7A7B82FF</i>
	Classroom-Based	
Grade Span		
Kindergarten through third	170.29	170.29
Fourth through sixth	144.96	144.96
Seventh through eighth	95.42	95.42
Total Average Daily Attendance - Classroom-Based	410.67	410.67

The Charter had no Nonclassroom-Based ADA in 2019-20.

See accompanying note to supplementary information.

**INTERNATIONAL SCHOOL OF MONTEREY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Grade Span	Minutes Requirement	2019-20 Planned Instructional Minutes	2019-20 Planned Number of Days	2019-20 Actual Instructional Minutes	2019-20 Actual Number of Days	Instructional Minutes Closed Due to COVID-19	Number of Days Certified Closed Due to COVID-19*	Status
Kindergarten	36,000	180	59,770	43,820	132	15,950	48	Complied
Grades 1 through 3	50,400	180	59,010	43,260	132	15,750	48	Complied
Grades 4 through 8	54,000	180	61,140	44,820	132	16,320	48	Complied

*On July 19, 2020, the Charter certified that the school closed from March 16, 2020 to June 4, 2020 for a total of 48 instructional days closed due to COVID-19.

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, 2020

June 30, 2020, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 928,555</u>
Adjustments:	
Increase (decrease) in total net assets:	
Write-off of prior year liability	<u>46,069</u>
June 30, 2020, net assets per audited financial statements	<u>\$ 974,624</u>

See accompanying note to supplementary information.

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 (the "Charter") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated November 13, 2020.

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") as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
November 13, 2020

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 *2019-20 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, 2020, 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 *2019-20 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, 2020.

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



San Diego, California
November 13, 2020

FINDINGS AND QUESTIONED COSTS SECTION

INTERNATIONAL SCHOOL OF MONTEREY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings or questioned costs related to the financial statements during 2019-20.

**INTERNATIONAL SCHOOL OF MONTEREY
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 2019-20.

**INTERNATIONAL SCHOOL OF MONTEREY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no audit findings and questioned costs during 2018-19.