

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

FINANCIAL STATEMENTS

JUNE 30, 2009

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The International School of Monterey (School), a nonprofit corporation, as of June 30, 2009 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-2009*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2009 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that

report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the School taken as a whole. The accompanying supplementary information as listed on the table of contents is presented for purposes of additional analysis as required by the State Controller's Office, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-2009*, and is not a required part of the basic financial statements of the School. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bianchi, Kasavan + Pope, LLP". The signature is written in a cursive, flowing style.

Salinas, California
December 11, 2009

FINANCIAL STATEMENTS

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents - Note 2	\$ 516,927
Accounts and grants receivable - Note 3	341,650
Prepaid expenses	<u>37,214</u>

TOTAL CURRENT ASSETS 895,791

PROPERTY AND EQUIPMENT - net - Note 4	<u>28,673</u>
	<u><u>\$ 924,464</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 218,460
Line of credit - Note 5	250,000
Accrued paid-time-off (PTO)	18,318
Deferred pay	<u>65,437</u>

TOTAL CURRENT LIABILITIES 552,215

COMMITMENTS AND CONTINGENCIES - Notes 7, 8 and 9

NET ASSETS - UNRESTRICTED	<u>372,249</u>
	<u><u>\$ 924,464</u></u>

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

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

SUPPORT AND REVENUE

Grants - Note 6	\$ 2,583,378
ISM Foundation contributions - Note 12	354,933
Fees for after school programs	276,051
Other local revenue	49,278
Board of Directors pledges - Note 12	14,400
Interest income	320
Loss on disposal of assets	<u>(611)</u>

TOTAL SUPPORT AND REVENUE	<u>3,277,749</u>
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EXPENSES

Program Services

Charter School	2,688,370
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Support Services

General and Administrative	<u>257,147</u>
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TOTAL EXPENSES	<u>2,945,517</u>
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CHANGE IN NET ASSETS	332,232
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NET ASSETS, BEGINNING OF YEAR	<u>40,017</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 372,249</u></u>
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The accompanying notes are an integral part of these financial statements.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES			
Salaries	\$ 1,711,718	\$ 125,054	\$ 1,836,772
Employee benefits	558,810	38,245	597,055
TOTAL SALARIES AND RELATED EXPENSES	<u>2,270,528</u>	<u>163,299</u>	<u>2,433,827</u>
OTHER EXPENSES			
Professional, consulting and other operating expenses	251,040	62,760	313,800
Rentals, leases and repairs	79,959	19,990	99,949
Books and materials	42,456	-	42,456
Insurance	17,427	4,357	21,784
Depreciation	15,968	3,992	19,960
Travel and conferences	6,683	1,671	8,354
Communications	2,898	725	3,623
Dues and subscriptions	997	250	1,247
Equipment	414	103	517
TOTAL OTHER EXPENSES	<u>417,842</u>	<u>93,848</u>	<u>511,690</u>
TOTAL EXPENSES	<u><u>\$ 2,688,370</u></u>	<u><u>\$ 257,147</u></u>	<u><u>\$ 2,945,517</u></u>

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

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ 332,232

**Adjustments to reconcile change in net assets to
net cash provided by operating activities:**

Depreciation 19,960
Loss on disposal of assets 611

(Increase) decrease in:

Accounts and grants receivable (42,274)
Prepaid expenses (37,214)

Increase (decrease) in:

Accounts payable 94,647
Accrued paid-time-off (PTO) (553)
Deferred pay 1,902

37,079

Net cash provided by operating activities

369,311

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of equipment (9,907)

Net cash used in investing activities

(9,907)

CASH FLOW FROM FINANCING ACTIVITIES

Borrowings on line of credit 250,000
Repayments of cash advances - Monterey County Treasury (194,268)

Net cash provided by financing activities

55,732

NET INCREASE IN CASH

415,136

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

101,791

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 516,927

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

The School, incorporated on May 26, 1998, is organized exclusively for charitable and education purposes, with the primary purpose to provide a comprehensive education in English for children ages 3 – 14 and to prepare them to continue their studies in English-speaking schools anywhere in the world.

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

Basis of Accounting

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

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB ASC 958-205, Not-for-Profit Entities Presentation of Financial Statements. Under those provisions, net assets and revenues, gains and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Employee Retirement Plans

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

Property Tax

Secured and unsecured property taxes attach as an enforceable lien on property. The County of Monterey bills and collects these taxes for the School. Property tax revenues ("in-lieu local property taxes") are received in monthly installments by the School. Tax revenues are recognized by the School when received and are included in the financial statements under General Purpose Block Grant, Note 6.

Use of Estimates

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

Functional Allocation of Expenses

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

Income Taxes

The School is a California nonprofit corporation exempt from tax by the Internal Revenue Service under Section 501(c)(3) and is classified as an entity other than a private foundation. However, certain types of income are considered unrelated business taxable income which is taxed at regular corporate income tax rates. There was no unrelated business income tax for the year ended June 30, 2009.

Advertising

Advertising costs are expensed as incurred. There were no advertising costs for the year ended June 30, 2009.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Property, Equipment and Depreciation

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

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

Maintenance and minor repairs are charged against income; major renewals and betterments are capitalized and depreciated.

Cash and Cash Equivalents

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

Concentrations

The School's bank participates in the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program, which provides unlimited deposit insurance coverage through December 31, 2009.

Approximately 75% of the School's total support and revenue was provided by the State of California and Monterey County and 11% was provided by the ISM Foundation for the year ended June 30, 2009.

Subsequent Events

Subsequent events were evaluated through December 11, 2009, the date the financial statements were available to be issued.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

2. CASH AND CASH EQUIVALENTS

Cash at June 30, 2009 consisted of the following:

Cash in bank	\$ 271,167
Cash invested with the Monterey County Treasury	<u>245,760</u>
	<u>\$ 516,927</u>

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

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

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

3. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable at June 30, 2009 consisted of the following:

State grants	\$ 216,251
Local - property taxes	96,308
Federal grant	26,821
Other	<u>2,270</u>
	<u>\$ 341,650</u>

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

4. PROPERTY AND EQUIPMENT

Property and equipment June 30, 2009 consisted of the following:

Classroom equipment	\$ 57,828
Computer equipment	139,633
Library equipment	18,253
Office equipment	10,161
Playground equipment	<u>9,963</u>
	235,838
Accumulated depreciation	<u>(207,165)</u>
	<u>\$ 28,673</u>

5. LINE OF CREDIT

The School obtained an unsecured revolving line of credit with First National Bank in the amount of \$250,000 dated May 13, 2009 due May 13, 2011, with interest at 1% above the Wall Street Journal prime rate. The interest rate was 4.25% at June 30, 2009. The School had outstanding borrowings under this line of credit of \$250,000 at June 30, 2009.

6. GRANTS

Grant support at June 30, 2009 consisted of the following:

General Purpose Block	\$ 2,045,699
Categorical Block	178,672
Class Size Reduction	172,111
State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act – Note 14	124,202
State Lottery	46,951
Other State grants	8,305
Other Federal grants	<u>7,438</u>
	<u>\$ 2,583,378</u>

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

7. LEASES

Effective July 1, 2006, the School renewed their lease for its facility for a term of 5 years. The lease is payable in monthly installments of \$7,533. Lease expense totaled \$90,396 for the year ended June 30, 2009, and was included in rentals, leases and repair expenses on the Statement of Functional Expenses.

Future minimum payments under the operating lease are as follows at June 30, 2009:

<u>For the year ended</u>	<u>Amount</u>
2010	\$ 90,396
2011	<u>90,396</u>
	<u>\$ 180,792</u>

8. EMPLOYEE RETIREMENT SYSTEMS

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

State Teachers' Retirement System

Plan Description

The International School of Monterey contributes to STRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Policy

Active plan members are required to contribute 8.00% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The School's contribution to STRS for the fiscal year ended June 30, 2009, was \$93,036 and equals 100% of the required contribution for that year.

Public Employees' Retirement System

Plan Description

The School contributes to the School Employer Pool under the CalPERS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.00% of their salary (7.00% of monthly salary in excess of \$133 if the member participates in Social Security), and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.43% of annual payroll. The contribution requirements of the plan members are established by state statute. The School's contribution to CalPERS for the fiscal year ended June 30, 2009, was \$53,964 and equals 100% of the required contribution for that year.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Disclosures

All other required disclosures under the FASB ASC 715, Employers' Accounting for Pensions were not readily available as of the date of this report.

9. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

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

Sick Leave

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

Paid-Time-Off

Full-time employees are entitled to four days of paid-time-off (PTO) per year of active service. PTO can accrue up to a maximum of twelve days. An employee whose employment terminates is paid for their accrued unused PTO on a pro-rata basis. PTO liability is calculated using the employee's fiscal year end PTO balances multiplied by the employee's fiscal year end rate of pay.

For employees hired August 2008 and thereafter, PTO will not accrue from year to year.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

10. OVERSIGHT COSTS

In January 2007, the School executed a Memorandum of Understanding (MOU) with the Monterey Peninsula Unified School District (MPUSD) to provide oversight services. Both the School and MPUSD agreed to review this MOU annually. Oversight costs totaled \$11,854 for the year ended June 30, 2009 and are included in professional, consulting and other operating expenses on the Statement of Functional Expenses.

11. CONTRIBUTED SERVICES

No amounts have been recorded in the financial statements for donated services because they do not meet the criteria for recognition under FASB ASC 958-605, Not-for-Profit Entities Revenue Recognition. The School pays for most services requiring specific expertise. However, many individuals volunteer their time in performing a variety of tasks that assist the School with its programs, administration and fundraising.

12. RELATED PARTY TRANSACTIONS

The School receives financial support from the Board of Directors and the ISM Foundation. During the year ended June 30, 2009, the School received \$369,333 from the Board of Directors and the ISM Foundation, which was approximately 11% of total revenue and support.

13. RESERVES

As a part of the MOU between the School and MPUSD, the School is required to maintain a 3% reserve of the ending fund balance. At June 30, 2009, the School was in compliance with regard to the reserved fund balance.

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

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

13. RESERVES (Continued)

The reconciliation as of June 30, 2009 is as follows:

Ending Net Assets – Unrestricted, page 4	\$ 372,249
Adjustments:	
Depreciation	19,960
Loss on disposal of assets	611
Purchase of equipment	(9,907)
Borrowing on line of credit	250,000
Repayments of cash advances	(194,268)
Difference between governmental financial reporting and nonprofit financial reporting from prior years	<u>306,415</u>
Ending Fund Balance	<u>\$ 745,060</u>
Total outgo for governmental reporting purposes is calculated as follows:	
Total expenses, page 6	\$ 2,945,517
Repayments of cash advances, page 7	194,268
Cash payments for the purchase of equipment, page 7	<u>9,907</u>
Total outgo	<u>\$ 3,149,692</u>
Available reserves as a percentage of total outgo	<u>23.66%</u>

**14. STATE FISCAL STABILIZATION FUND OF THE AMERICAN RECOVERY
AND REINVESTMENT ACT**

On May 22, 2009, the School was awarded \$124,202 in Federal funds for the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act (ARRA). The purpose of these funds was to avoid layoffs of teachers and other personnel, as well as to assist with further education reforms. These funds are available for obligation through September 30, 2011.

These funds were included in revenue in the 2008-2009 fiscal year. However the School was not able to utilize these funds in the 2008-2009 year, due to the late receipt of the funding. The expenditures associated with this revenue will be incurred in subsequent fiscal years.

SUPPLEMENTARY INFORMATION

INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

ORGANIZATION

FOR THE YEAR ENDED JUNE 30, 2009

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

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Paul Gaucher	Chair	6/30/2012
John Tilley	Vice Chair	6/30/2012
Alastair Rodd	Secretary	6/30/2012
Chris Steinbruner	Treasurer	6/30/2010
Roberta Infelise	Trustee	6/30/2010
Joanne Storkan	Trustee	6/30/2009
Robert Lee	Trustee	6/30/2010
Plasha Fielding Will	Trustee	6/30/2012
Lauren Cohen	Trustee	6/30/2010
Valerie Josephson	Trustee	6/30/2011
Sunder Ramaswamy	Trustee	6/30/2011
Christine Balbo Reed	Trustee	6/30/2011

Administration

Eric Perlstein
Interim Executive Director

Lisa Griffin Burns
Operations & HR Manager

Lorraine Morales
Business Manager

INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Resident		
Kindergarten	35	35
Grades One through Three	103	103
Grades Four through Six	120	119
Grades Seven and Eight	<u>60</u>	<u>60</u>
Resident Elementary Totals	<u>318</u>	<u>317</u>
Non-resident		
Kindergarten	3	3
Grades One through Three	12	12
Grades Four through Six	25	25
Grades Seven and Eight	<u>12</u>	<u>12</u>
Non-Resident Elementary Totals	<u>52</u>	<u>52</u>
ADA GRAND TOTAL	<u>370</u>	<u>369</u>
(Total ADA was generated through classroom-based instruction)		

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the School. This schedule provides information regarding the attendance of students at various grade levels.

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

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Grade Level</u>	<u>Minimum Minutes Required</u>	<u>2008 – 2009 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	54,400	180	Complied
Grades 1 st – 3 rd	50,400	59,500	180	Complied
Grades 4 th – 8 th	54,000	61,200	180	Complied

This schedule presents information on the amount of instruction time offered by the School and whether the School complied with the provisions of Education Code Sections 47612.5 and 46201. The School received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day.

OTHER INDEPENDENT AUDITORS' REPORTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
The International School of Monterey
Seaside, California

We have audited the financial statements of The International School of Monterey (School) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

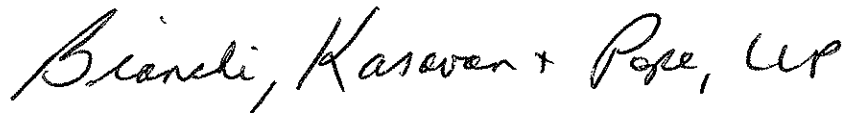
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Bianchi, Kasanen + Pope, LLP". The signature is written in a cursive, flowing style.

Salinas, California
December 11, 2009



BIANCHI, KASAVAN & POPE, LLP

Certified Public Accountants & Business Consultants

Robert W. Bianchi, CPA
Gail A. Delorey, CPA
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Jesse Lopez, CPA
Kris Nolan, CPA
Gordon A. Rubbo, CPA
Michael J. Willett, CPA

AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
The International School of Monterey
Seaside, California

We have audited the financial statements of The International School of Monterey (School) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 11, 2009. Our audit was performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-2009*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The School's management is responsible for the compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with the state laws and regulations applicable to the following items:

<u>Program Description (for Charter Schools)</u>	<u>Number of Procedures</u>	<u>Procedures Performed</u>
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	N/A
Charter School with only one school	4	Yes
After School Education and Safety		
General Requirements	4	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance	1	Yes

<u>Program Description (for Charter Schools)</u>	<u>Number of Procedures</u>	<u>Procedures Performed</u>
(Continued)		
Mode of Instruction	1	Yes
Nonclassroom-Based Instruction/ Independent Study	15	N/A
Determination of Funding		
Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes – Classroom Based	3	Yes

Based on our audit, we found that, for the items tested, the School complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the School had not complied with the state laws and regulations.

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

Bianchi, Kasanen & Pope, LLP

Salinas, California
December 11, 2009

**AUDIT FINDINGS
AND
QUESTIONED COSTS**

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

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None noted.

THE INTERNATIONAL SCHOOL OF MONTEREY
(A Nonprofit Corporation)

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009

Code 10000
Finding #08-01: Attendance

During our audit of ADA, we noted clerical errors were made when transferring ADA totals from the School's computerized spreadsheets to the Annual ADA report. The spreadsheets were submitted to the Chartering District, who completed and filed the ADA reports. The School did not have an opportunity to review the reports before they were submitted to the State to verify the information reported. The error resulted in an overstatement of Annual ADA of .11 resulting in an overstated value of approximately \$609 for Annual ADA.

We recommended that the School amend the annual reports. We recommended that all ADA reports and computerized spreadsheets used for ADA reporting be reviewed and verified for accuracy and that the School adopt training and procedures that insure the cooperation of faculty with attendance staff in completing the attendance forms accurately.

Current Status: Implemented

Code 40000
Finding #08-2: Compliance

The Charter Schools Act of 1992 requires charter schools to submit a copy of their independent financial audit report to the Chartering agency (MPUSD) and the State Department of Education by December 15 of each year. The School did not file their audit report timely. Per discussion with the California Department of Education (CDE), there is no financial impact to the School as a result of this finding.

We recommended that the School take necessary steps to ensure timely filing of its annual audit report.

Current Status: Implemented