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Corporate Inquiry

File Number: -0826270-3 | Check Corporate Status

Corp. Name: CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL

Domestic Address

PO BOX 2166
30 HIGHWAY 260 E
CAMP VERDE, AZ 86322

Statutory Agent Information

Agent Name: BETTY J CHESTER

Agent Mailing Address:
P.O. BOX 2166
CAMP VERDE, AZ 86322

Agent Physical Address:
126 SALT MINE RD
CAMP VERDE, AZ 86322

Agent Status: APPOINTED 12/11/1997
Agent Last Updated: 01/07/2011

Additional Corporate Information

Corporation Type: NON-PROFIT | **Business Type:** EDUCATIONAL

Incorporation Date: 12/11/1997	**Corporate Life Period:** PERPETUAL
Domicile: ARIZONA	**County:** YAVAPAI
Approval Date: 12/11/1997	**Original Publish Date:** 04/17/1998

Officer Information

BETTY J CHESTER PRESIDENT 30 HIGHWAY 260 EAST CAMP VERDE,AZ 86322 **Date of Taking Office:** 12/11/1997 **Last Updated:** 06/27/2011	DOWLING G CAMPBELL SECRETARY 30 HIGHWAY 260 EAST CAMP VERDE,AZ 86322 **Date of Taking Office:** 12/11/1997 **Last Updated:** 06/27/2011
DOWLING G CAMPBELL TREASURER 30 HIGHWAY 260 EAST CAMP VERDE,AZ 86322 **Date of Taking Office:** 12/11/1997 **Last Updated:** 06/27/2011	KEVEN T CHESTER VICE-PRESIDENT 30 HIGHWAY 260 EAST CAMP VERDE,AZ 86322 **Date of Taking Office:** 03/03/2011 **Last Updated:** 06/27/2011

Director Information

BETTY J CHESTER DIRECTOR 30 HIGHWAY 260 EAST CAMP VERDE,AZ 86322 **Date of Taking Office:** 12/11/1997 **Last Updated:** 06/27/2011	

Annual Reports

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File Year	File Month	Date Received	Reason Returned	Date Returned	Extension
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2010	06	11/30/2010			
2009	06	06/11/2009			
2008	06	05/07/2008			
2007	04	04/03/2007			
2006	04	04/10/2006			
2005	04	04/04/2005			

CHESTER NEWTON CHARTER AND MONTESSORI SCHOOL
30 Hwy 260 E, Camp Verde, AZ 86322
928-567-2363
betty.chester@cnsmontessori.org

Performance Management Plan re: Charter Renewal, 2011/ 2012
Detailed Business Plan – Part II

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II. FINANCIAL NARRATIVE

Our audits have been exemplary for many years. We have had no non-compliance issues, and any problems were corrected promptly. Complements continued by individual auditors, who gave us high marks compared to a large number of other schools. Administration is shared between Chester Newton and Sunnyside Charter and Montessori Schools.

State cutbacks continue to cause stress and desperation adjustments to our operations. We've had to adjust by eliminating important expenditures (like everyone else in education), combining job responsibilities, and cutting back on learning materials and

supplies. One of our administrators also drives one of our school busses. Audits for the last several years have met all compliance requirements.

In spite of state cutbacks, our ability to find grant support has allowed us to continue operation. This support comes from a combination of small grants, entitlements, foundations, and loan modification. We have cut back on supplies, materials, services, and field trips. By providing aides, we manage our Montessori multi-age format, which allows us to still teach adequately with fewer teachers. Our food administrator also works as our coach, scheduling as well as directing games. One of our Sunnyside middle school teachers is a math specialist who also helps CNCMS students through Title I. Reciprocally, our CNCMS Title I reading teacher provides services to identified Sunnyside students who are in need of extra assistance. Our special education teacher has a small caseload of 5-8 students a year, and also serves as a classroom teacher. This year we have added a Title 1 teacher who also services as our ELL teacher and is our testing specialist. New teacher salaries have been at the 2004/2005 levels. Three teachers are at this level. Three of our six teachers have not had a raise for three years. Though we are figuring a 3% increase for the year 2012/2013, with a projected ADM of 89 students. In the year 2013/2014 we project ADM of 116 students. With this student projection of 116 ADM students, we will be adding another teacher and class. Also during the 2013/2014 year there will be a 3% pay increase. After considerable searching, we have found a bank that has arranged a loan modification for the Chester-Campbell LLC allowing for a reduction in the school's rent.

A. Business Performance Plan Budget Template...attachment
B. 2009 and 2010 Audit Reports.....attachment

III. PROFESSIONAL DEVELOPMENT

We provide authentic, effective teacher development opportunities. Our data collection and our student assessment scores drive these opportunities. One Friday a month is set aside for workshops and sharing of teaching experiences. We also hold teacher meetings each Thursday for student improvement. Data meetings are held mid-week.

A few of our professional development opportunities are a repeat each year but we align and adjust accordingly, as scores are analyzed from the prior school year. Our workshops have or may consist of: AIMS, DIBELS, Title 1, Parent classes, Mentoring, Student Peer mentoring, Data analysis, Common Core Standards, Curriculum, Health, Student Achievement, Rubrics for student scores, Montessori instruction, Special Education, Technology, Galileo, Student portfolios, tutoring, Response to Intervention, IEPs, new Federal and State mandates, etc.

We also provide opportunities for our teaching staff and administrators to attend professional development outside of our campus realm. We are known to encourage our teachers to go beyond their job assignments and acquire knowledge to challenge each of their potentials.

While some may view professional development as simply "a waste of time" we assure that our opportunities are meaningful, relevant and allow us to pre-test and post-test our students after we have implemented new education strategies or coursework.

IV. CAMPUS TECHNOLOGY

During the last year we have been updating and replacing parts of our computer systems. We found that having student computers and printers in each classroom was too difficult for teachers to monitor and too costly to maintain. Students were doing minor damage to computers so they would not have to do lessons, and printers were used excessively. In addition, our technology contractor was not keeping us updated with new programs and was operating in emergency maintenance mode only. We had similar issues with our internet service provider.

To resolve these issues we first changed our computer service company and our internet carriers. Then we removed all student computers from the classrooms and set up a computer lab. We started off the lab with student testing from NWEA and found that there were major issues with our computers. A new multi-seat system was purchased and a permanent lab has been set up.

A new firewall system with programmable web-site blocking, and new server has been added to handle new computers and on-line traffic.

We are members of the Yavapai Technology Consortium, a county grant that helps with technology needs in schools, and we are looking forward to all it has to offer. As a member, we will have access to broadband services. This will increase our Internet reliability and speed capability. It will allow us to be able to connect with other schools and libraries.

V. PHYSICAL PLANT

We are dividing our psychical plant presentation into **A. Buildings, B. Grounds,** and **C. Transportation.**

A. Buildings. We have made a conscious effort to present a more home-like appearance for CNCMS. We have purchased two separate older homesteads complete with barns and other buildings like pump houses and chicken houses. Two of the larger structures have been remodeled into classrooms. Our new building contains our dining facility, our 4th –5th classroom, and our middle school.

B. Grounds. Although we are located within town limits of the town of Camp Verde, our setting is basically rural. Open fields are on either side and the Verde River runs along the far end. Our property allows for gardening. We also keep animals like rabbits and chickens.

The grounds consist of a 10-acre field with Verde River frontage and a two-acre rise of land above the field, where our buildings stand. Our river frontage is a wild riparian area that serves as a natural study area. The field contains two soccer/football fields and two ball diamonds. We also have an outside basketball court and a fully equipped playground.

For a 10-year period, we worked with the city to make our field available to the public after school hours. It was named "Sunnyside Park." We did not ask for any money but simply requested that the field be maintained. The field was always busy with families or local teams. Two years ago the city decided that the maintenance was too expensive, and the field now sits mostly empty during after-school hours.

C. Transportation. When we began our charter, West's *Education Code* listed a formula that allowed Chester Newton to acquire about $60,000 yearly of state money for transportation. Since many families in Camp Verde cannot afford to drive their children to school, we took advantage of this educational perk and bought three used school busses. The only problem was that the Arizona legislature soon dried up this charter school transportation money, leaving us to pay for the busses, maintenance, drivers, and operation out of our school budget with no state aid or reimbursement. Our busses meet necessary needs of many of our families.

VI. FUTURE PLANS

Our future needs emphasize student/teacher needs. We need to refocus on academics while we continue teaching via the Montessori method. A short list of future goals is:

--Gain an "A" status label in performance.
--Retain our trained Montessori teachers.
--Assist teachers who have not gone through traditional methods of university training to understand the demands of accountability. Also, to remind teachers who have shown capability of being effective teachers that they are treasured and needed by their students.
--Begin more Effective Teacher evaluation as proposed by ADE (20/11/12).
--Begin Effective Principal evaluation (20/11/12).
--Continue looking for solar power grants.
--Continue to research for grants that are a match for our school.

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITOR'S REPORT)

AS OF

JUNE 30, 2009

AND FOR THE YEAR THEN ENDED

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2009

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Joel D. Huber, CPA, P.C.

Certified Public Accountant

3048 East Baseline Road, Suite 116
Mesa, Arizona 85204
PHONE: (480) 503-9200
FAX: (866) 680-5863

Member of the American Institute of Certified Public Accountants

Member of the Arizona Society of CPA's

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chester-Newton Charter and Montessori School
Camp Verde, Arizona

I have audited the accompanying statement of financial position of Chester-Newton Charter and Montessori School as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

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

In accordance with *United States Government Auditing Standards*, I have also issued a report dated October 20, 2009, on my consideration of Chester-Newton Charter and Montessori School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my 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 *United States Government Auditing Standards* and should be considered in assessing the results of my audit.

Joel D. Huber, CPA, P.C.

Joel D. Huber, CPA, P.C.
October 20, 2009

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

Assets:		
Current Assets		
Cash	$	35,135
Accounts receivable		15,843
Total Current Assets		50,978
Noncurrent Assets		
Property, furniture, and equipment (net)		10,685
Prepaids		5,785
Total Assets	$	67,448
Liabilities and net assets:		
Current Liabilities		
Accounts payable and accrued liabilities	$	29,766
Total Current Liabilities		29,766
Long Term Liabilities		0
Total Liabilities		29,766
Net Assets:		
Unrestricted		37,682
Temporarily Restricted		0
Total Net Assets		37,682
Total Net Assets and Liabilities	$	67,448

See accompanying notes to the financial statements

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support:			
State equalization assistance	$ 529,390	$ 0	$ 529,390
Other grants and State funding	184,306		184,306
Donations and contributions	2,127		2,127
Miscellaneous	2,572		2,572
Total Revenues, Gains, and Other Support	718,395	0	718,395
Expenses and Losses:			
Program services			
Instruction and operations	607,340		607,340
Supporting services			
Administration	166,813		166,813
Total Expenses	774,153	0	774,153
Change in Net Assets	(55,758)		(55,758)
Net Assets at beginning of year	93,440		14,946
Net Assets at end of year	$ 37,682	$ 0	$ (40,812)

See accompanying notes to the financial statements

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:		
Change in net assets	$	(55,758)
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation		11,929
Increase in accounts receivable		(6,317)
Decrease in prepaids		5,173
Increase in accounts payable and accrued liabilities		1,550
Net cash used by operating activities		(43,423)
Cash flows from investing activities:		
Additions to property, furniture, and equipment		(2,586)
Net cash used by investing activities		(2,586)
Cash flows from financing activities:		
Principal payments on note payable		(2,100)
Net cash used by financing activities		(2,100)
Net decrease in cash and cash equivalents		(48,109)
Cash and cash equivalents at beginning of year		83,244
Cash and cash equivalents at end of year	$	35,135
Supplemental disclosures of cash flow information:		
Interest Paid	$	0
Income Taxes Paid	$	0

See accompanying notes to the financial statements

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - ORGANIZATION

Chester-Newton Charter and Montessori School is an Arizona not-for-profit corporation organized in 1997. The Arizona Charter Schools are intended to provide additional academic choices for parents and students that will improve pupil achievement. Charter school statutes support flexibility and innovation in key areas of operations and organizational structures, including scheduling, curriculum, and instructional methodologies.

The School is exempt from Federal and Arizona income taxes on its exempt function income under Section 501 (c) (3) of the Internal Revenue Code. The School does not receive any non-exempt income and is not a private foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Assets, liabilities, support, revenue and expenses are recognized using the accrual basis of accounting.

RECOGNITION OF DONOR RESTRICTED SUPPORT

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

PROPERTY AND EQUIPMENT

Land, buildings, and improvements with a cost of $3,000 or more and vehicles, furniture and equipment with both a cost of $300 or more and an estimated life of one year or more are capitalized. Assets are stated at cost or fair market value at date of gift if contributed. Donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of vehicles, furniture and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from 3 to 10 years. Buildings and improvements are amortized over 15 to 20 years.

DONATIONS

Donated services are recognized only if the services received either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of volunteers have made contributions of their time to the School to help with programs, provide clerical support, and assist with general maintenance. The value of this contributed time is not reflected in the financial statements since it does not meet the recognition criteria.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF 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 of assets and liabilities and disclosure of certain contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

The School considers all monetary instruments with a maturity of three months or less to be cash equivalents. As of June 30, 2009, there were no cash equivalents.

CONCENTRATION OF CREDIT RISK

The School places its cash with high quality credit institutions. At times, such cash may be in excess of FDIC insurance limits.

NOTE 3 - PROPERTY AND EQUIPMENT

The following classes of property and equipment are reflected in the accompanying financial statements at June 30, 2009:

Land and improvements	$	10,074
Leasehold improvements		53,387
Furniture and equipment		127,329
		190,790
Less accumulated depreciation		(180,105)
	$	10,685

NOTE 4 - OBLIGATIONS UNDER OPERATING LEASES

The School leases facilities under the terms of an operating lease which expires on August 1, 2011. The lease is with a member of the Board of Directors (Note 9). Lease terms are 120 months. Total lease expenses for the year ended June 30, 2009 were $64,164.

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

Year ending June 30:		
2010	$	64,164
2011		64,164
2012		10,694
2013		0
2014		0
2015 and thereafter		0
Total minimum lease payments	$	139,022

NOTE 5 - ECONOMIC DEPENDENCY

Chester-Newton Charter and Montessori School receives a substantial amount of its support from contracts with and grants from governmental bodies. A significant reduction in the level of support from these sources may have a material effect on the School's continuing operations.

NOTE 6 - COMPLIANCE

The School's compliance with certain laws and regulations is subject to review by the State of Arizona, Office of the Auditor General, and the Arizona State Board for Charter Schools. These reviews could result in a reduction of state equalization assistance.

NOTE 7 - LITIGATION

The School is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the School's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature.

NOTE 8 - RETIREMENT PLAN

Plan Description – Effective July 1, 1999, the School contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910 or by calling
(602) 240-2000 or (800) 621-3778.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the School's contribution rate. The School's contributions to the System for the year ended June 30, 2009 was $35,410.

NOTE 9 - RELATED PARTY TRANSACTION

The following transactions occurred between the School and members of its Board of Directors:

The School leased facilities from a member of its Board of Directors (Note 4). Rent paid totaled $64,164 for the year ended June 30, 2009. Commitments under the lease agreement total $139,022 as of June 30, 2009.

SPECIAL AUDIT REPORT

Joel D. Huber, CPA, P.C.

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REPORT ON COMPLIANCE AND 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*

To the Board of Directors
Chester-Newton Charter and Montessori School
Camp Verde, Arizona

I have audited the financial statements of Chester-Newton Charter and Montessori School as of and for the year ended June 30, 2009, and have issued my report thereon dated October 20, 2009. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered Chester-Newton Charter and Montessori School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chester-Newton Charter and Montessori School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company'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 affects the organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chester-Newton Charter and Montessori School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed

no instances of noncompliance that are required to be reported under *United States Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, Management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joel D. Huber, CPA, P.C.

Joel D. Huber, CPA, P.C.
October 20, 2009

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITOR'S REPORT)

AS OF

JUNE 30, 2010

AND FOR THE YEAR THEN ENDED

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

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Joel D. Huber, CPA, P.C.

Joel D. Huber, CPA, P.C.
October 20, 2010

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

Assets:	
Current Assets	
Cash	$ 67,284
Accounts receivable	11,361
Total Current Assets	78,645
Noncurrent Assets	
Property, furniture, and equipment (net)	15,579
Total Assets	$ 94,224
Liabilities and net assets:	
Current Liabilities	
Accounts payable and accrued liabilities	$ 32,634
Total Current Liabilities	32,634
Long Term Liabilities	0
Total Liabilities	32,634
Net Assets:	
Unrestricted	61,590
Temporarily Restricted	0
Total Net Assets	61,590
Total Net Assets and Liabilities	$ 94,224

See accompanying notes to the financial statements

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support:			
State equalization assistance	$ 360,574	$ 0	$ 360,574
Other grants and State funding	341,907		341,907
Donations and contributions	1,648		1,648
Miscellaneous	2,232		2,232
Total Revenues, Gains, and Other Support	706,361	0	706,361
Expenses and Losses:			
Program services			
Instruction and operations	558,779		558,779
Supporting services			
Administration	123,674		123,674
Total Expenses	682,453	0	682,453
Change in Net Assets	23,908		23,908
Net Assets at beginning of year	37,682		37,682
Net Assets at end of year	$ 61,590	$ 0	$ 61,590

See accompanying notes to the financial statements

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:		
Change in net assets	$	23,908
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation		10,669
Decrease in accounts receivable		4,482
Decrease in prepaids		5,785
Increase in accounts payable and accrued liabilities		2,868
Net cash provided by operating activities		47,712
Cash flows from investing activities:		
Additions to property, furniture, and equipment		(15,563)
Net cash used by investing activities		(15,563)
Cash flows from financing activities:		0
Net increase in cash and cash equivalents		32,149
Cash and cash equivalents at beginning of year		35,135
Cash and cash equivalents at end of year	$	67,284
Supplemental disclosures of cash flow information:		
Interest Paid	$	0
Income Taxes Paid	$	0

See accompanying notes to the financial statements

CHESTER-NEWTON CHARTER AND MONTESSORI SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - ORGANIZATION

Chester-Newton Charter and Montessori School is an Arizona not-for-profit corporation organized in 1997. The Arizona Charter Schools are intended to provide additional academic choices for parents and students that will improve pupil achievement. Charter school statutes support flexibility and innovation in key areas of operations and organizational structures, including scheduling, curriculum, and instructional methodologies.

The School is exempt from Federal and Arizona income taxes on its exempt function income under Section 501 (c) (3) of the Internal Revenue Code. The School does not receive any non-exempt income and is not a private foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Assets, liabilities, support, revenue and expenses are recognized using the accrual basis of accounting.

RECOGNITION OF DONOR RESTRICTED SUPPORT

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

PROPERTY AND EQUIPMENT

Land, buildings, and improvements with a cost of $3,000 or more and vehicles, furniture and equipment with both a cost of $300 or more and an estimated life of one year or more are capitalized. Assets are stated at cost or fair market value at date of gift if contributed. Donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of vehicles, furniture and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from 3 to 10 years. Buildings and improvements are amortized over 15 to 20 years.

DONATIONS

Donated services are recognized only if the services received either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of volunteers have made contributions of their time to the School to help with programs, provide clerical support, and assist with general maintenance. The value of this contributed time is not reflected in the financial statements since it does not meet the recognition criteria.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF 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 of assets and liabilities and disclosure of certain contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

The School considers all monetary instruments with a maturity of three months or less to be cash equivalents. As of June 30, 2010, there were no cash equivalents.

CONCENTRATION OF CREDIT RISK

The School places its cash with high quality credit institutions. At times, such cash may be in excess of FDIC insurance limits.

NOTE 3 - PROPERTY AND EQUIPMENT

The following classes of property and equipment are reflected in the accompanying financial statements at June 30, 2010:

Land and improvements	$	10,074
Leasehold improvements		53,387
Furniture and equipment		142,892
		206,353
Less accumulated depreciation		(190,774)
	$	15,579

NOTE 4 - OBLIGATIONS UNDER OPERATING LEASES

The School leases facilities under the terms of an operating lease which expires on August 1, 2011. The lease is with a member of the Board of Directors (Note 9). Lease terms are 120 months. Total lease expenses for the year ended June 30, 2010 were $68,173.

Future minimum lease payments under the operating lease as of June 30, 2010 are:

Year ending June 30:		
2011	$	64,164
2012		10,694
2013		0
2014		0
2015		0
2016 and thereafter		0
Total minimum lease payments	$	74,858

NOTE 5 - ECONOMIC DEPENDENCY

Chester-Newton Charter and Montessori School receives a substantial amount of its support from contracts with and grants from governmental bodies. A significant reduction in the level of support from these sources may have a material effect on the School's continuing operations.

NOTE 6 - COMPLIANCE

The School's compliance with certain laws and regulations is subject to review by the State of Arizona, Office of the Auditor General, and the Arizona State Board for Charter Schools. These reviews could result in a reduction of state equalization assistance.

NOTE 7 - LITIGATION

The School is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the School's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature.

NOTE 8 - RETIREMENT PLAN

Plan Description – Effective July 1, 1999, the School contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the School's contribution rate. The School's contributions to the System for the year ended June 30, 2010 was $35,784.

NOTE 9 - RELATED PARTY TRANSACTION

The following transactions occurred between the School and a member of its Board of Directors:

The School leased facilities from a member of its Board of Directors (Note 4). Rent paid totaled $68,173 for the year ended June 30, 2010. Commitments under the lease agreement total $74,858 as of June 30, 2010.

SPECIAL AUDIT REPORT

Joel D. Huber, CPA, P.C.

Certified Public Accountant

3048 East Baseline Road, Suite 116
Mesa, Arizona 85204
PHONE: (480) 503-9200
FAX: (866) 680-5863

Member of the American Institute of Certified Public Accountants

Member of the Arizona Society of CPA's

REPORT ON COMPLIANCE AND 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*

To the Board of Directors
Chester-Newton Charter and Montessori School
Camp Verde, Arizona

I have audited the financial statements of Chester-Newton Charter and Montessori School as of and for the year ended June 30, 2010, and have issued my report thereon dated October 20, 2010. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered Chester-Newton Charter and Montessori School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chester-Newton Charter and Montessori School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company'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 affects the organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chester-Newton Charter and Montessori School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed

no instances of noncompliance that are required to be reported under *United States Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, Management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joel D. Huber, CPA, P.C.

Joel D. Huber, CPA, P.C.
October 20, 2010

Renewal Budget Plan

	REF;	Actual 2010-2011	Projected Financial Information 2011-2012	2012-2013	2013-2014
ADM:		62.31	78.00	89.00	116.00
REVENUE					
State Equalization Assistance	A	$ 389,354.16	$ 493,523.98	$574,410	$678,061
Classroom Site Fund		$16,933	$9,360	$10,680	$13,920
Instructional Improvement Fund		$2,280	$2,280	$2,280	$2,280
Federal Funds/Grants		$109,350	$91,783	$96,467	$98,396
Other State Funds/Grants					
Food Service (e.g., NSLP, food sales)		$54,381	$68,085	$77,687	$96,255
Extracurricular Tax Credits		$2,004	$2,200	$2,400	$2,600
Contributions and Donations		$680	$500	$500	$500
Fundraising					
Earnings on Investments		$0			
Student Activities		$33	$50	$50	$50
Kindergarten Tuition (Applies only to FY10 & FY11 unless expanded by Legislature)					
Other		$8,934	$4,867	$5,553	$7,237
TOTAL REVENUE		$ 583,949.89	$ 672,648.94	$770,027	$899,299
EXPENSES					
Instructional					
Salaries		$174,563	$182,718	$224,200	$256,626
Payroll Taxes	B	$12,350	$19,990	$22,894	$24,380
Employee Benefits		$15,567	$16,445	$20,178	$23,096
Purchased Services (Consultants)					
Purchased Services (Special Education)		$5,500	$4,400	$4,850	$5,200
Technology		$6,059	$2,000	$5,000	$6,000
Textbooks/Curriculum/Library		$6,058	$9,415	$11,840	$14,205
Instructional Supplies		$5,195	$6,504	$8,500	$9,672
Professional Development	C	$10,138	$5,500	$16,500	$7,500
Travel		$3,518	$1,800	$1,950	$2,100
Other					
Total Instructional		$238,948	$248,772	$315,912	$348,779
Non-Instructional					
Salaries		$152,203	$152,762	$167,345	$172,065
Payroll Taxes		$12,890	$12,984	$13,374	$13,775
Employee Benefits	B	$13,936	$24,549	$25,942	$25,386
Purchased Services		$15,179	$15,179	$15,483	$15,793
Rent/Bond Payment	D	$40,727	$44,000	$46,200	$77,590
Repairs and Maintenance		$5,206	$6,000	$7,000	$8,500
Property, Casualty, Liability Insurance		$18,927	$18,927	$19,310	$23,692
Interest/Property Taxes		$1,918	$450	$500	$550
Communications		$3,222	$2,000	$2,000	$2,000
Furniture and Other Equipment	D	$3,132	$1,000	$3,200	$50,000
Note/Loan/Non-Facility Lease Payments		$843	$1,400	$1,400	$1,400
Set aside to upgrade school bus			$20,000	$20,000	
Audit		$5,500	$4,500	$5,000	$5,500
Legal		$3,535	$1,500	$1,500	$2,000
Advertising/Marketing		$1,430	$1,500	$1,700	$2,000
Travel					
Printing and Postage		$985	$1,000	$1,200	$1,500
Supplies		$2,699	$3,000	$3,500	$5,000
Food Service		$45,643	$62,287	$71,837	$89,185
Transportation		$11,252	$12,040	$14,020	$18,500
Student Activities		$909	$1,000	$1,200	$1,800
Fees and Dues		$2,413	$2,461	$2,510	$3,000
Other Utilities		$11,641	$12,223	$13,834	$17,353
Total Non-Instructional		$354,188	$400,762	$438,055	$536,589
TOTAL EXPENSES		$593,136	$649,534	$753,967	$885,368
Increase (Decrease) in Net Assets	E	($9,186)	$23,115	$16,060	$13,931
Net Assets, Beginning of Year		$34,576	$25,390	$48,505	$64,565
Net Assets, End of Year		$25,390	$48,505	$64,565	$78,496

ASSUMPTIONS/NOTES

A: Equalization is based on ADM 78 for 11/12, ADM 89 for 12/13 and ADM 116 for 13/14 plus a 2% increase on base.

B: Beginning 2011/2012 Health Insurance offered to full-time employees. School paying 3/4 of premium.

C: In 2012/2013 we will send teacher to training in prep for 2013/2014

D: In 13/14 we plan to add a classroom, increased column reflects building costs and equiping costs

E: Due to state fund loss, 10/11 reflects as net asset loss of $9,185. In 11/12 we have reached our projected ADM of 78.