



November 22, 2013

To the Board of Directors of
California Montessori Project

We have audited the financial statements of California Montessori Project (the Organization) for the year ended June 30, 2013, and have issued our reports thereon dated November 22, 2013, respectively. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 18, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies has not changed during the year ended June 30, 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop estimates in determining that they are reasonable in relation to the financial statements taken as a whole. See Exhibit B for a summary of significant accounting estimates.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In addition, the attached proposed journal entries summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. See a list of adjustments in Exhibit A attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We are not aware of other documents that contain the audited financial statements; if such documents are to be published, we have a responsibility to determine that such financial information is materially consistent with the audited statements of the Organization.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Organization.

This information is intended solely for the use of the Board of Directors, management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Vicenti Lloyd + Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California

To the Board of Directors
California Montessori Project
Exhibit A

Audit Adjustments:

Adjusting Journal Entries JE # 1			
To restate net assets for Prop 55 funding (Elk Grove) due to better lender information obtained in 12/13.			
62-7810-0-0000-0000-9668-005-0000	Lease Revenue Bonds Payable-Elk Grove	269,346.00	
62-7810-0-0000-0000-9793-005-0000	Audit Adjustments-Elk Grove		269,346.00
Total		269,346.00	269,346.00
Adjusting Journal Entries JE # 2			
To record activity in CAC and Club M.			
62-0000-0-0000-0000-9120-002-0000	Cash in banks-American River	10,941.00	
62-0000-0-0000-0000-9120-004-0000	Cash in banks-Carmichael	6,533.00	
62-0000-0-0000-0000-9120-005-0000	Cash in banks-Elk Grove	7,064.00	
62-0000-0-0000-0000-9120-006-0000	Cash in banks-Shingle Springs	3,241.00	
62-0000-0-0000-0000-9120-007-0000	Cash in banks-Orangevale	5,292.00	
62-0000-0-0000-0000-9640-002-0000	Current Loans-American River		10,941.00
62-0000-0-0000-0000-9640-004-0000	Current Loans-Carmichael		6,533.00
62-0000-0-0000-0000-9640-005-0000	Current Loans-Elk Grove		7,064.00
62-0000-0-0000-0000-9640-006-0000	Current Loans-Shingle Springs		3,241.00
62-0000-0-0000-0000-9640-007-0000	Current Loans-Orangevale		5,292.00
Total		33,071.00	33,071.00
Adjusting Journal Entries JE # 3			
To accrue settlement agreement with D. Egbert paid in 13/14.			
62-6500-0-5770-1190-5800-004-0000	Consult Serv/Operations-Carmichael	14,000.00	
62-0000-0-0000-0000-9500-004-0000	A/P-Carmichael		14,000.00
Total		14,000.00	14,000.00
Adjusting Journal Entries JE # 4			
To accrue construction costs incurred through 6/30/13 from Simile Construction and Philip Hendrix.			
62-7810-0-0000-0000-9430-005-0000	Buildings/Asset-Elk Grove	704,570.00	
62-7810-0-0000-0000-9500-005-0000	A/P-Elk Grove		704,570.00
Total		704,570.00	704,570.00
Reclassifying Journal Entries JE # 1			
Reclassify reimbursement for common area security from landlord.			
62-0000-0-0000-0000-8699-004-0000	All Other Local Rev-Carmichael	48,753.00	
62-0000-0-0000-8700-5600-004-0000	Rentals, Leases, Repairs-Carmichael		48,753.00
Total		48,753.00	48,753.00

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Adjustments not recorded due to materiality (passed adjustments):

Account	Description	Debit	Credit
Passed JE # 1			
Adjust lottery to reflect estimated revenue based on per ADA funding amount.			
62-1100-0-0000-0000-8560-002-0000	State Lottery Revenue-American River	12,755.00	
62-1100-0-0000-0000-8560-003-0000	State Lottery Revenue-Capitol	6,490.00	
62-1100-0-0000-0000-8560-006-0000	State Lottery Revenue-Shingle Springs	7,964.00	
62-1100-0-0000-0000-9200-002-0000	A/R-American River		12,755.00
62-1100-0-0000-0000-9200-003-0000	A/R-Capitol		6,490.00
62-1100-0-0000-0000-9200-005-0000	A/R-Elk Grove		1,562.00
62-1100-0-0000-0000-9200-006-0000	A/R-Shingle Springs		7,964.00
Total		28,771.00	28,771.00
Passed JE # 2			
Record 2011-2012 reimbursement from landlord to prior year.			
62-0000-0-0000-0000-9200-004-0000	A/R-Carmichael	48,753.00	
62-0000-0-0000-0000-9793-004-0000	Audit Adjustments-Carmichael		48,753.00
Total		48,753.00	48,753.00
Passed JE # 3			
Reconcile general purpose block grant revenue to CDE schedule.			
09-0000-0-0000-0000-8015-005-0000	General Purpose Block Grt-Elk Grove	6,486.00	
09-0000-0-0000-0000-9200-003-0000	A/R-Capitol	11,866.00	
09-0000-0-0000-0000-9200-006-0000	A/R-Shingle Springs	5,795.00	
09-0000-0-0000-0000-8015-003-0000	General Purpose Block Grt-Capitol		11,866.00
09-0000-0-0000-0000-8096-006-0000	In Lieu of Property Tax-Shingle Springs		5,795.00
09-0000-0-0000-0000-9200-005-0000	A/R-Elk Grove		6,486.00
Total		24,147.00	24,147.00

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Exhibit B

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of the financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in California Montessori Project's June 30, 2013 financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Valuation of receivables	The Organization does not record an allowance for doubtful accounts.	Management believes receivables are fully collectible since most are from governmental agencies. However, management reviews individual receivable balances at year end to evaluate the appropriate allowance, if any.	We reviewed management's estimate noting the method and assumptions were reasonable and in accordance with generally accepted accounting principles (GAAP) requirements.
Allocation of functional expenses	The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates.	Throughout the year management codes certain expenses based on a functional classification. The allocations are made based on the nature of the expenses.	We reviewed management's estimate noting the method and assumptions were reasonable, consistent with prior years, and in accordance with applicable GAAP requirements.

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Exhibit B

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Valuation of contributed services	The Organization does not record volunteer hours or immaterial equipment and supplies donated to the schools.	The contributions, although valuable, are not a donated service that creates or enhances a non-financial asset or that requires specialized skills that would typically need to be purchased if not provided by donation.	We reviewed management's estimate noting the method and assumptions were reasonable, and in accordance with applicable GAAP requirements.
Useful lives of property, plant and equipment	Buildings and improvements are depreciated over 30 years and tenant improvements are depreciated over 7 years.	Management believes the lives assigned are reasonable as compared to useful lives used in federal tax return preparation.	We reviewed management's estimate noting the method and assumptions were reasonable, and in accordance with applicable GAAP requirements.