

**CALIFORNIA MONTESSORI PROJECT**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**INCLUDING REPORTS ON COMPLIANCE**

**June 30, 2012**



# CALIFORNIA MONTESSORI PROJECT

## ANNUAL FINANCIAL REPORT

June 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
California Montessori Project  
5330-A Gibbons Drive, Suite 700  
Carmichael, CA 95608

We have audited the accompanying statement of financial position of California Montessori Project (the Organization), a California non-profit corporation, as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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. 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 basic 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 respective financial position of California Montessori Project as of June 30, 2012, and the changes in its net assets and cash flows for the fiscal 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 10, 2012 on our consideration of the California Montessori Project'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 should be considered in assessing the results of our audit.

Governing Board  
California Montessori Project

The supplementary schedules on pages 17-24 are presented for the purposes of additional analysis. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

December 10, 2012

**CALIFORNIA MONTESSORI PROJECT**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2012**

**Assets**

**Current assets**

Cash in County Treasury	\$ 8,521,001
Cash on hand and in banks	288,168
Cash in revolving fund	10,250
Accounts receivable:	
Federal and state governments	4,031,761
Other	6,102
Deposits and prepaid assets	<u>123,232</u>
<b>Total current assets</b>	<b>12,980,514</b>

**Non-current assets**

Property, plant and equipment, net	<u>1,685,757</u>
<b>Total assets</b>	<b><u>\$ 14,666,271</u></b>

**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$ 563,360
Compensated absences	522,913
Amount held for others	282,184
Deferred revenue	11,587
Notes payable, current portion	<u>41,102</u>
<b>Total current liabilities</b>	<b><u>1,421,146</u></b>

**Non-current liabilities**

Notes payable, net of current portion	<u>4,730,096</u>
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**Net assets**

Unrestricted - capital assets, net of related debt	975,042
Unrestricted	4,480,139
Temporarily restricted	<u>3,059,848</u>
<b>Total net assets</b>	<b><u>8,515,029</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 14,666,271</u></b>

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

# CALIFORNIA MONTESSORI PROJECT

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Revenue from state sources:			
State aid portion of general purpose block grant	\$ 6,135,112	\$ -	\$ 6,135,112
Class size reduction	1,115,893		1,115,893
Lottery	280,062		280,062
Other state revenue	1,423,908		1,423,908
Total revenue from state sources	8,954,975	-	8,954,975
Revenue from federal sources	337,923		337,923
Revenue from local sources:			
In-lieu property tax	2,773,575		2,773,575
Interest	136,125		136,125
Other local revenue	932,036		932,036
Total revenue from local sources	3,841,736	-	3,841,736
<b>Total revenues</b>	13,134,634	-	13,134,634
Net assets released from restriction	237,984	(237,984)	-
<b>Total revenues and net assets released from restriction</b>	13,372,618	(237,984)	13,134,634
<b>Expenses</b>			
Program services:			
Instruction	7,701,095		7,701,095
Instruction-related services	1,801,681		1,801,681
Pupil services	64,353		64,353
Support services:			
General administration	1,685,600		1,685,600
Plant services	1,448,073		1,448,073
Interest	58,241		58,241
Depreciation	104,129		104,129
<b>Total expenses</b>	12,863,172	-	12,863,172
Change in net assets	509,446	(237,984)	271,462
<b>Net assets - beginning of year</b>	4,999,433	3,244,134	8,243,567
Reclassification adjustment (Note 8)	(53,698)	53,698	-
<b>Net assets - beginning of year, restated</b>	4,945,735	3,297,832	8,243,567
<b>Net assets - end of year</b>	\$ 5,455,181	\$ 3,059,848	\$ 8,515,029

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

## CALIFORNIA MONTESSORI PROJECT

### STATEMENT OF CASH FLOWS For the Year Ended June 30, 2012

#### CASH FLOWS FROM OPERATING ACTIVITIES:

<b>Change in Net Assets</b>	\$ 271,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loss on disposal of property, plant, and equipment	58,053
Depreciation	104,129
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	2,674,734
Accounts receivable - Other	(5,387)
Deposits and prepaid expenses	(12,211)
Increase (decrease) in operating liabilities:	
Accounts payable	85,628
Compensated absences	85,758
Amounts held for others	46,060
Deferred revenue	<u>(92,751)</u>
Net cash provided by operating activities	<u>3,215,475</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(402,127)</u>
Net cash used by investing activities	<u>(402,127)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of capital lease obligations	(1,113)
Proceeds from notes payable	3,223,681
Repayment of notes payable	<u>(66,486)</u>
Net cash provided by financing activities	<u>3,156,082</u>

**Net increase in cash and cash equivalents** 5,969,430

**Cash and cash equivalents at the beginning of the year** 2,849,989

**Cash and cash equivalents at the end of the year** \$ 8,819,419

**Interest paid during the fiscal year** \$ 58,241

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

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Organization**

The California Montessori Project, A California Charter School, Inc. (the Schools) was formed to provide a Montessori based educational program to every child in the State of California. The Schools were originally granted one charter in 2000 by the Wheatland School District with six (6) campuses within boundaries of four (4) school districts (the Districts).

American River Campus	San Juan Unified School District
Carmichael Campus	San Juan Unified School District
Orangevale Campus	San Juan Unified School District
Capitol Campus	Sacramento Unified School District
Elk Grove Campus	Elk Grove Unified School District
Shingle Springs Campus	Buckeye Unified School District

During the year 2006-2007, separate charter petitions were approved for the establishment of the California Montessori Project campuses as four separate charters (the Schools) of the Districts in accordance with Education Code Section 47605. The American River Campus, Orangevale, and Carmichael Campus are under one charter agreement, and they operate at three separate school sites within the geographical boundaries of San Juan Unified School District. The American River Campus site is currently located in Fair Oaks, the Orangevale site is currently located in Orangevale and the Carmichael Campus site is currently located in Carmichael. The other three charter school campuses each operate at a single site within the boundaries of their sponsoring District. The central administration offices are located at the Carmichael Campus site.

The Schools are funded principally through the California Department of Education and the District. The Schools are governed by a Governing Board consisting of teachers, parents, District Superintendents or designees, Montessori community members, business community members, charter community members, and public members from the community at large.

The Districts have granted the charters through June 30, 2014 for Shingle Springs and through June 30, 2016 for the other campuses, subject to amendment and renewal. The charters may be revoked by the Districts only for material violations of the charters, failure to meet student outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

The Schools also have a memorandum of understanding with the Wheatland Elementary School District, whereby the Schools pays the District \$185 per P-2 average daily attendance (ADA) for providing business services as outlined in the Business Service Agreement. Each School also has a memorandum of understanding with the sponsoring District whereby the Schools pay the District 1% of the Schools' per pupil revenues to provide administrative oversight.



**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board (FASB). The Schools are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of the Schools consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Schools.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Schools' temporarily restricted net assets consist of Proposition 55 Funding for facilities.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The Schools do not currently have any permanently restricted net assets.

**Basis of Accounting**

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and other liabilities.

**Cash and Cash Equivalents**

The Schools' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Revenue Recognition**

Amounts received from the California Department of Education are recognized as revenue by the Schools based on the ADA of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor as required financial accounting standards. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

**Contributed Services**

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the Schools receive numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the Schools based on the above guidelines. In addition, the Schools receive donations of immaterial equipment and supplies which are not recorded upon receipt.

**Property, Plant and Equipment**

Property, plant, and equipment are capitalized at cost (or estimated historical cost) if purchased or at estimated fair market value as of the date received if donated. The Schools capitalize expenditures for property, plant, and equipment in excess of \$10,000. Plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Tenant Improvements	7 years

**Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability of the Schools. The current portion of the liability, if material, is recognized in general fund at year-end. The entire compensated absences liability is reported on the statement of financial position.

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Compensated Absences (continued)**

Employees of the Schools are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

**State Apportionments**

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for revenue limits and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on September 1 and are payable in two installments on or before December 10 and April 10. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

**Subsequent Events**

All events subsequent to the balance sheet date of June 30, 2012, through December 10, 2012, which is the date these financial statements were available to be issued, have been evaluated in accordance with financial accounting standards.

**Income Taxes**

California Montessori Project is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Schools' continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable.

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Income Taxes (continued)**

Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Schools file informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

**NOTE 2 - DEPOSITS:**

**Concentration of Credit Risk**

The Schools maintains bank accounts with numerous institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2012 there were no deposits in excess of the FDIC limit.

**Cash in County**

In accordance with Education Code Section 41001, the Schools maintain substantially all of its cash in the County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the Schools' deposits in this pool as of June 30, 2012, as provided by the pool sponsor, was \$8,521,001.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 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 funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**NOTE 3 - OPERATING LEASES:**

The Schools entered into various operating leases for facilities and equipment, some with lease terms in excess of one year. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the Schools will cancel any of the agreements prior to the expiration date. Current lease expense for the year under these agreements was \$989,956.

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 3 - OPERATING LEASES: (continued)**

Future minimum lease payments under lease agreements with term in excess of one year are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2013	\$ 932,486
2014	945,131
2015	957,777
2016	970,422
2017	<u>246,585</u>
Total	<u>\$ 4,052,401</u>

**NOTE 4 - LONG-TERM DEBT:**

**Notes Payable**

The Shingle Springs Campus has an unsecured loan agreement with Gardner Partnership in the amount of \$245,000. Deanna Gardner is a partner of the Gardner Partnership and until September 2010, she was also the principal of American River, one of California Montessori Project's sites. The loan bears interest of 8% per annum. The loan is to be paid back as follows: The first year is for interest only with monthly payment of \$1,633. Years 2 to 7 are for principal and interest with monthly payments of \$4,296. The note matures in January 2013.

The Shingle Springs Campus has a loan agreement with Western Sierra National Bank in the amount of \$750,000. The loan bears an initial interest rate of 7% per annum and requires 38 monthly principal and interest payment in the amount of \$4,991. The note then requires 83 additional monthly payments of approximately \$5,283 at an interest rate of 7.61%. The note matures in December 2015.

The Elk Grove Campus and the Shingle Springs Campus have each entered into agreements under the Charter School Facilities Program of the California School Finance Authority. Under these agreements, each school was awarded funding for facilities of which 50% is in the form of a 30 year loan. Each loan carries an interest rate of 3% and requires principal and interest payments to commence upon the completion of the project (currently estimated to be the 2013-2014 fiscal year). The total amount of the awards for the Elk Grove Campus and the Shingle Springs Campus was \$11,834,282 and \$5,310,746, respectively. As of June 30, 2012, the release of funding has been approved in the amount of \$6,986,054 for the Elk Grove Campus, and \$1,134,912 for the Shingle Springs Campus all of which was received by the end of the fiscal year. The loan balance (50% of funds received) as of June 30, 2012 was \$3,493,027 for the Elk Grove Campus and \$567,456 for the Shingle Springs Campus.

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 - LONG-TERM DEBT: (continued)**

A summary of the project activity through June 30, 2012 is as follows:

	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Total</u>
<b>Award Summary</b>			
State Apportionment	\$ 5,917,141	\$ 2,655,373	\$ 8,572,514
CSFP Lease Amount	<u>5,917,141</u>	<u>2,655,373</u>	<u>8,572,514</u>
Total OPSC Estimated Project Cost	<u>\$ 11,834,282</u>	<u>\$ 5,310,746</u>	<u>\$ 17,145,028</u>
<b>Summary of Funding Received</b>			
Funding received prior to July 1, 2011	\$ 538,692	\$ 1,134,912	\$ 1,673,604
Funding received July 1, 2011 to June 30, 2012	<u>6,447,362</u>	<u>-</u>	<u>6,447,362</u>
Total funding received as of June 30, 2012	<u>\$ 6,986,054</u>	<u>\$ 1,134,912</u>	<u>\$ 8,120,966</u>
<b>Summary of Project Costs Incurred</b>			
Project costs incurred prior to July 1, 2011			
Amounts expensed	\$ 399,815	\$ 127,089	\$ 526,904
Amounts capitalized as property, plant, and equipment	<u>-</u>	<u>235,747</u>	<u>235,747</u>
Total project costs incurred prior to July 1, 2011	<u>399,815</u>	<u>362,836</u>	<u>762,651</u>
Project costs incurred July 1, 2011 to June 30, 2012			
Amounts capitalized as property, plant, and equipment	<u>187,078</u>	<u>50,906</u>	<u>237,984</u>
Total project costs incurred as of June 30, 2012	<u>\$ 586,893</u>	<u>\$ 413,742</u>	<u>\$ 1,000,635</u>

Future maturities under notes payable are as follows:

Year Ended June 30	
2013	\$ 41,102
2014	199,757
2015	206,548
2016	828,205
2017	199,868
Thereafter	<u>3,295,718</u>
Total	<u>\$ 4,771,198</u>

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 - CONTINGENCIES:**

**State Allowances, Award, and Grants**

The Schools have received state 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 reimbursement will not be material.

**NOTE 6 - EMPLOYEE RETIREMENT PLAN:**

Qualified employees are covered under multiple-employer defined benefit pension plan maintained by the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

**State Teachers' Retirement System (STRS)**

**Plan Description**

The Schools contribute to the State Teachers' Retirement System (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 STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the Schools are 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 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Contributions to STRS**

The Schools' contributions to STRS for each of the last three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2010	\$347,605	100%
2011	\$368,531	100%
2012	\$423,541	100%

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT:**

As of June 30, 2012 the cost and accumulated depreciation of property, plant and equipment was as follows:

	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2012</b>
Building	\$ 1,659,033	\$ -	\$ (178,266)	\$ 1,480,767
Building improvements	427,955	164,143	(89,749)	502,349
Work in progress	<u>-</u>	<u>237,984</u>	<u>-</u>	<u>237,984</u>
Totals at historical cost	2,086,988	402,127	(268,015)	2,221,100
Less accumulated depreciation for:				
Building	435,195	49,359	(152,440)	332,114
Building improvements	<u>205,981</u>	<u>54,770</u>	<u>(57,522)</u>	<u>203,229</u>
Total accumulated depreciation	<u>641,176</u>	<u>104,129</u>	<u>(209,962)</u>	<u>535,343</u>
Property, plant and equipment, net	<u><u>\$ 1,445,812</u></u>	<u><u>\$ 297,998</u></u>	<u><u>\$ (58,053)</u></u>	<u><u>\$ 1,685,757</u></u>

**NOTE 8 - RECLASSIFICATION ADJUSTMENT:**

During the year ended June 30, 2012, it was noted that an additional \$157,748 of revenue relating to Shingle Spring's participation in the Charter School Facilities Program should have been recorded in the prior fiscal year as temporarily restricted revenue rather than unrestricted revenue. Additionally, it was noted that an additional \$104,050 of temporarily restricted net assets relating to Elk Grove's participation in Charter School Facilities Program should have been released in the prior fiscal year to unrestricted net assets. A reclassification adjustment of \$53,698 was made to increase beginning temporarily restricted net assets for the net effect of these items.

**NOTE 9 - SUBSEQUENT EVENT:**

After the end of the fiscal year, but before the financial statements were available to be issued, California Montessori Project - Elk Grove settled a claim relating to special education services. As a result of the settlement, the School will pay \$84,500. This amount has been accrued in accounts payable as of June 30, 2012 accordingly.



## **SUPPLEMENTARY INFORMATION SECTION**

## **CALIFORNIA MONTESSORI PROJECT**

### **HISTORY AND ORGANIZATION**

**June 30, 2012**

The California Montessori Project is a charter management organization located in the Sacramento and El Dorado Counties and is sponsored by various Districts. During the current fiscal year, the Schools maintained six school sites covering kindergarten through eighth grade. The Schools were originally granted a charter in 2000 by the Wheatland School District with six (6) campuses within boundaries of four (4) school districts (the Districts).

American River Campus	San Juan Unified School District
Carmichael Campus	San Juan Unified School District
Orangevale Campus	San Juan Unified School District
Capitol Campus	Sacramento Unified School District
Elk Grove Campus	Elk Grove Unified School District
Shingle Springs Campus	Buckeye Unified School District

During the year 2006-2007, the charter petitions were approved for the establishment of the California Montessori Project campuses as four separate charters (the Schools) of the Districts in accordance with Education Code Section 47605. The American River Campus, Orangevale, and Carmichael Campus are under one charter agreement, and they operate at three separate school sites within the geographical boundaries of San Juan Unified School District. The American River Campus site is currently located in Fair Oaks, the Orangevale site is currently located in Orangevale, and the Carmichael Campus site is currently located in Carmichael. The other three charter school campuses each operate at a single site within the boundaries of their sponsoring District. The central administration offices are located at the Carmichael Campus site.

The charter number for each campus is as follows:

American River Campus	Charter number: 776
Carmichael Campus	Charter number: 776
Orangevale Campus	Charter number: 776
Capitol Campus	Charter number: 775
Elk Grove Campus	Charter number: 777
Shingle Springs Campus	Charter number: 774

The Districts have granted the charters through June 20, 2014 for Shingle Springs and through June 30, 2016 for all the other campuses, subject to amendment and renewal. The charters may be revoked by the Districts only for material violations of the charters, failure to meet student outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

The Schools are governed by a Governing Board consisting of teachers, parents, District Superintendents or designees, Montessori community members, business community members, charter community members, and public members from the community at large.

## **CALIFORNIA MONTESSORI PROJECT**

### **HISTORY AND ORGANIZATION (continued)**

**June 30, 2012**

The Governing Board and Administration for the fiscal year ending June 30, 2012 were as follows:

#### **GOVERNING BOARD**

<b><u>MEMBERS</u></b>	<b><u>OFFICE</u></b>	<b><u>TERM</u></b>
Patty Hagemeyer	District Representative – Sacramento City USD	2012
Rob Henderson	Business Representative (Chairperson)	2012
Kalyca Green	Teacher Representative – American River	2012
Jonathan Wolff	Montessori Representative	2013
Jenny Savakus	Community Representative (CFO)	2012
Jayna Gaskell	Charter School Representative	2012
Natasha Vidic	Parent Representative – Carmichael	2012
Raquel Leuze	Parent Representative – American River (V.P.)	2012
Nick Dakis	Parent Representative – Elk Grove	2012
Dave Nelson	Parent Representative – Shingle Springs	2014
Patrick Briggs	Parent Representative – Capitol	2014

#### **ADMINISTRATION**

Gary Bowman	Executive Director
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# CALIFORNIA MONTESSORI PROJECT

## SUPPLEMENTAL COMBINING STATEMENT OF FINANCIAL POSITION June 30, 2012

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>Assets</u></b>							
<b>Current assets</b>							
Cash in County Treasury	\$ -	\$ 190,120	\$ 7,112,120	\$ 1,071,749	\$ 147,012	\$ -	\$ 8,521,001
Cash on hand and in banks	89,128	24,694	21,890	152,456			288,168
Cash in revolving fund					10,250		10,250
Accounts receivable:							
Federal and state governments	2,081,030	596,990	671,046	682,695			4,031,761
Intracompany receivable					275,651	(275,651)	-
Other					6,102		6,102
Deposits and prepaid assets	<u>80,462</u>	<u>9,815</u>	<u>32,493</u>	<u>462</u>			<u>123,232</u>
<b>Total current assets</b>	<u>2,250,620</u>	<u>821,619</u>	<u>7,837,549</u>	<u>1,907,362</u>	<u>439,015</u>	<u>(275,651)</u>	<u>12,980,514</u>
<b>Non-current assets</b>							
Property, plant and equipment, net	<u>119,008</u>		<u>399,999</u>	<u>1,166,750</u>			<u>1,685,757</u>
<b>Total assets</b>	<u>\$ 2,369,628</u>	<u>\$ 821,619</u>	<u>\$ 8,237,548</u>	<u>\$ 3,074,112</u>	<u>\$ 439,015</u>	<u>\$ (275,651)</u>	<u>\$ 14,666,271</u>
<b><u>Liabilities and Net Assets</u></b>							
<b>Current liabilities</b>							
Accounts payable	\$ 53,183	\$ 75,111	\$ 112,995	\$ 7,796	\$ 314,275	\$ -	\$ 563,360
Intracompany payable	275,651					(275,651)	-
Compensated absences	219,762	71,172	79,339	152,640			522,913
Amounts held for others	86,128	23,694	20,905	151,457			282,184
Deferred revenue	5,678	1,622	1,970	2,317			11,587
Notes payable, current portion				<u>41,102</u>			<u>41,102</u>
<b>Total current liabilities</b>	<u>640,402</u>	<u>171,599</u>	<u>215,209</u>	<u>355,312</u>	<u>314,275</u>	<u>(275,651)</u>	<u>1,421,146</u>
<b>Non-current liabilities</b>							
Notes payable, net of current portion			<u>3,493,027</u>	<u>1,237,069</u>			<u>4,730,096</u>
<b>Total non-current liabilities</b>	<u>-</u>	<u>-</u>	<u>3,493,027</u>	<u>1,237,069</u>	<u>-</u>	<u>-</u>	<u>4,730,096</u>
<b>Net assets</b>							
Unrestricted - capital assets, net of related debt	119,008		399,999	456,035			975,042
Unrestricted	1,610,218	650,020	1,223,179	871,982	124,740		4,480,139
Temporarily restricted			<u>2,906,134</u>	<u>153,714</u>			<u>3,059,848</u>
<b>Total net assets</b>	<u>1,729,226</u>	<u>650,020</u>	<u>4,529,312</u>	<u>1,481,731</u>	<u>124,740</u>	<u>-</u>	<u>8,515,029</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,369,628</u>	<u>\$ 821,619</u>	<u>\$ 8,237,548</u>	<u>\$ 3,074,112</u>	<u>\$ 439,015</u>	<u>\$ (275,651)</u>	<u>\$ 14,666,271</u>

See the accompanying notes to the supplementary information.

# CALIFORNIA MONTESSORI PROJECT

## SUPPLEMENTAL COMBINING STATEMENT OF ACTIVITIES For the Year Ended June 30, 2012

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>							
<b>Revenues</b>							
Revenue from state sources:							
State aid portion of general purpose							
block grant	\$ 2,981,051	\$ 905,406	\$ 1,152,066	\$ 1,096,589	\$ -	\$ -	\$ 6,135,112
Class size reduction	583,923	174,549	181,564	175,857			1,115,893
Lottery	132,379	39,033	50,672	57,978			280,062
Other state revenue	768,010	192,325	245,819	217,754			1,423,908
Total revenue from state sources	4,465,363	1,311,313	1,630,121	1,548,178	-	-	8,954,975
Revenue from federal sources	166,991	47,054	54,478	69,400			337,923
Revenue from local sources:							
In-lieu property tax	1,394,962	297,625	351,481	729,507			2,773,575
Interest	69,234	16,711	22,576	27,604			136,125
Other local revenue	288,361	169,518	289,034	116,450	1,309,057	(1,240,384)	932,036
Total revenue from local sources	1,752,557	483,854	663,091	873,561	1,309,057	(1,240,384)	3,841,736
<b>Total unrestricted revenues</b>	<b>6,384,911</b>	<b>1,842,221</b>	<b>2,347,690</b>	<b>2,491,139</b>	<b>1,309,057</b>	<b>(1,240,384)</b>	<b>13,134,634</b>
<b>Net assets released from restriction</b>	<b>-</b>	<b>-</b>	<b>187,078</b>	<b>50,906</b>	<b>-</b>	<b>-</b>	<b>237,984</b>
<b>Total unrestricted revenues and net assets released from restriction</b>	<b>6,384,911</b>	<b>1,842,221</b>	<b>2,534,768</b>	<b>2,542,045</b>	<b>1,309,057</b>	<b>(1,240,384)</b>	<b>13,372,618</b>
<b>Expenses</b>							
Program services:							
Instruction	3,822,399	1,045,492	1,335,666	1,494,232	3,306		7,701,095
Instruction-related services	884,562	285,983	289,114	329,571	12,451		1,801,681
Pupil services	57,135	1,432	5,402	384			64,353
Support services:							
General administration	833,186	262,472	345,277	295,163	1,189,886	(1,240,384)	1,685,600
Plant services	944,740	98,217	210,902	96,984	97,230		1,448,073
Interest				58,241			58,241
Depreciation	20,237		19,084	64,808			104,129
<b>Total expenditures</b>	<b>6,562,259</b>	<b>1,693,596</b>	<b>2,205,445</b>	<b>2,339,383</b>	<b>1,302,873</b>	<b>(1,240,384)</b>	<b>12,863,172</b>
Change in unrestricted net assets	(177,348)	148,625	329,323	202,662	6,184	-	509,446
<b>TEMPORARILY RESTRICTED NET ASSETS</b>							
<b>Net assets released from restriction</b>	<b>-</b>	<b>-</b>	<b>(187,078)</b>	<b>(50,906)</b>	<b>-</b>	<b>-</b>	<b>(237,984)</b>
Change in temporarily restricted net assets	-	-	(187,078)	(50,906)	-	-	(237,984)
<b>Total change in net assets</b>	<b>(177,348)</b>	<b>148,625</b>	<b>142,245</b>	<b>151,756</b>	<b>6,184</b>	<b>-</b>	<b>271,462</b>
<b>Net assets - beginning of year</b>	<b>1,906,574</b>	<b>501,395</b>	<b>4,387,067</b>	<b>1,329,975</b>	<b>118,556</b>		<b>8,243,567</b>
<b>Net assets - end of year</b>	<b>\$ 1,729,226</b>	<b>\$ 650,020</b>	<b>\$ 4,529,312</b>	<b>\$ 1,481,731</b>	<b>\$ 124,740</b>	<b>\$ -</b>	<b>\$ 8,515,029</b>

See the accompanying notes to the supplementary information.

# CALIFORNIA MONTESSORI PROJECT

## SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS For the Fiscal Year Ended June 30, 2012

	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Change in Net Assets	\$ (177,348)	\$ 148,625	\$ 142,245	\$ 151,756	\$ 6,184	\$ -	\$ 271,462
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:							
Loss on disposal of property, plant, and equipment	17,851	40,202					58,053
Depreciation	20,237		19,084	64,808			104,129
(Increase) decrease in operating assets:							
Accounts receivable - Federal and state governments	(580,876)	(89,737)	3,066,164	279,183			2,674,734
Accounts receivable - Intracompany					(275,651)	275,651	-
Accounts receivable - Other					(5,387)		(5,387)
Deposits and prepaid expenses	(10,967)	(385)	(397)	(462)			(12,211)
Increase (decrease) in operating liabilities:							
Accounts payable	19,795	43,758	19,554	(38,972)	41,493		85,628
Intracompany payable	275,651					(275,651)	-
Compensated absences	65,021	5,157	(3,247)	18,827			85,758
Amounts held for others	27,165	283	1,321	26,128	(8,837)		46,060
Deferred revenue	(42,289)	(11,176)	(18,496)	(20,790)			(92,751)
Net cash provided (used) by operating activities	<u>(385,760)</u>	<u>136,727</u>	<u>3,226,228</u>	<u>480,478</u>	<u>(242,198)</u>	<u>-</u>	<u>3,215,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchases of property, plant and equipment	<u>(138,843)</u>		<u>(187,078)</u>	<u>(76,206)</u>			<u>(402,127)</u>
Net cash used by investing activities	<u>(138,843)</u>	<u>-</u>	<u>(187,078)</u>	<u>(76,206)</u>	<u>-</u>	<u>-</u>	<u>(402,127)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Repayment of capital lease obligations				(1,113)			(1,113)
Proceeds from notes payable			3,223,681				3,223,681
Repayment of notes payable				(66,486)			(66,486)
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>	<u>3,223,681</u>	<u>(67,599)</u>	<u>-</u>	<u>-</u>	<u>3,156,082</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(524,603)</b>	<b>136,727</b>	<b>6,262,831</b>	<b>336,673</b>	<b>(242,198)</b>		<b>5,969,430</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>613,731</b>	<b>78,087</b>	<b>871,179</b>	<b>887,532</b>	<b>399,460</b>		<b>2,849,989</b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>\$ 89,128</u></b>	<b><u>\$ 214,814</u></b>	<b><u>\$ 7,134,010</u></b>	<b><u>\$ 1,224,205</u></b>	<b><u>\$ 157,262</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,819,419</u></b>
<b>Interest paid during the fiscal year</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 58,241</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 58,241</u></b>

See the accompanying notes to the supplementary information.

# CALIFORNIA MONTESSORI PROJECT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) For the Fiscal Year Ended June 30, 2012

Charter	Grades	Second Period Report		Annual Report	
		Classroom Based	Total	Classroom Based	Total
San Juan					
	Kindergarten	176.46	176.46	175.71	175.71
	First through third	344.53	344.53	342.84	342.84
	Fourth through sixth	234.14	234.14	233.07	233.07
	Seventh through eighth	99.90	99.90	99.23	99.23
	Totals	<u>855.03</u>	<u>855.03</u>	<u>850.85</u>	<u>850.85</u>
Capitol					
	Kindergarten	38.35	38.35	38.39	38.39
	First through third	114.59	114.59	114.50	114.50
	Fourth through sixth	64.44	64.44	64.45	64.45
	Seventh through eighth	18.43	18.43	18.44	18.44
	Totals	<u>235.81</u>	<u>235.81</u>	<u>235.78</u>	<u>235.78</u>
Elk Grove					
	Kindergarten	42.58	42.58	42.56	42.56
	First through third	124.90	124.90	124.65	124.65
	Fourth through sixth	88.00	88.00	87.12	87.12
	Seventh through eighth	34.03	34.03	34.00	34.00
	Totals	<u>289.51</u>	<u>289.51</u>	<u>288.33</u>	<u>288.33</u>
Shingle Springs					
	Kindergarten	43.68	43.68	43.86	43.86
	First through third	132.56	132.56	132.47	132.47
	Fourth through sixth	111.50	111.50	110.94	110.94
	Seventh through eighth	61.70	61.70	61.28	61.28
	Totals	<u>349.44</u>	<u>349.44</u>	<u>348.55</u>	<u>348.55</u>
Grand Total		<u>1,729.79</u>	<u>1,729.79</u>	<u>1,723.51</u>	<u>1,723.51</u>

See the accompanying notes to the supplementary information.

# CALIFORNIA MONTESSORI PROJECT

## SCHEDULE OF INSTRUCTIONAL TIME OFFERED For the Fiscal Year Ended June 30, 2012

	Grade Level	Minutes Requirement	2011-12 Reduced Minutes	2011-12 Actual Minutes	Status
<b>San Juan</b>	Kindergarten	36,000	33,531	46,800	In Compliance
	Grade 1	50,400	46,944	56,925	In Compliance
	Grade 2	50,400	46,944	56,925	In Compliance
	Grade 3	50,400	46,944	56,925	In Compliance
	Grade 4	54,000	50,297	56,925	In Compliance
	Grade 5	54,000	50,297	56,925	In Compliance
	Grade 6	54,000	50,297	56,925	In Compliance
	Grade 7	54,000	50,297	59,850	In Compliance
	Grade 8	54,000	50,297	59,850	In Compliance
<b>Capitol</b>	Kindergarten	36,000	33,531	34,971	In Compliance
	Grade 1	50,400	46,944	56,925	In Compliance
	Grade 2	50,400	46,944	56,925	In Compliance
	Grade 3	50,400	46,944	56,925	In Compliance
	Grade 4	54,000	50,297	56,925	In Compliance
	Grade 5	54,000	50,297	56,925	In Compliance
	Grade 6	54,000	50,297	56,925	In Compliance
	Grade 7	54,000	50,297	61,410	In Compliance
	Grade 8	54,000	50,297	61,410	In Compliance
<b>Elk Grove</b>	Kindergarten	36,000	33,531	46,860	In Compliance
	Grade 1	50,400	46,944	56,760	In Compliance
	Grade 2	50,400	46,944	56,760	In Compliance
	Grade 3	50,400	46,944	56,760	In Compliance
	Grade 4	54,000	50,297	56,760	In Compliance
	Grade 5	54,000	50,297	56,760	In Compliance
	Grade 6	54,000	50,297	56,760	In Compliance
	Grade 7	54,000	50,297	61,260	In Compliance
	Grade 8	54,000	50,297	61,260	In Compliance
<b>Shingle Springs</b>	Kindergarten	36,000	33,531	46,965	In Compliance
	Grade 1	50,400	46,944	56,925	In Compliance
	Grade 2	50,400	46,944	56,925	In Compliance
	Grade 3	50,400	46,944	56,925	In Compliance
	Grade 4	54,000	50,297	59,415	In Compliance
	Grade 5	54,000	50,297	59,415	In Compliance
	Grade 6	54,000	50,297	59,415	In Compliance
	Grade 7	54,000	50,297	61,620	In Compliance
	Grade 8	54,000	50,297	61,620	In Compliance

See the accompanying notes to the supplementary information.



# CALIFORNIA MONTESSORI PROJECT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT TO AUDITED FINANCIAL STATEMENT NET ASSETS For the Year Ended June 30, 2012

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>
June 30, 2012, annual financial and budget report net assets	\$ 1,714,463	\$ 694,527	\$ 4,616,534	\$ 1,497,737
Adjustments and reclassifications:				
Increasing (decreasing) net assets:				
Cash in County Treasury	275,651	-	-	-
Property, plant and equipment, net	14,763	1,416	(2,722)	(2,719)
Accounts payable	-	(45,923)	(84,500)	-
Intracompany payable	(275,651)	-	-	-
Notes payable	-	-	-	(14,400)
Capital lease obligations	-	-	-	1,113
Total adjustments and reclassifications:	<u>14,763</u>	<u>(44,507)</u>	<u>(87,222)</u>	<u>(16,006)</u>
June 30, 2012, audited financial statement net assets	<u>\$ 1,729,226</u>	<u>\$ 650,020</u>	<u>\$ 4,529,312</u>	<u>\$ 1,481,731</u>

See the accompanying notes to the supplementary information.

## CALIFORNIA MONTESSORI PROJECT

### RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION NET ASSETS TO FUND BALANCE THAT WOULD BE REPORTED UNDER GOVERNMENTAL ACCOUNTING STANDARDS June 30, 2012

Total net assets	\$ 8,515,029
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Amounts reported in the statement of financial position are excluded from fund balance under governmental accounting standards because:

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Property, plant and equipment, net	(1,685,757)
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Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Notes payable	4,771,198
---------------	-----------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Compensated absences	<u>522,913</u>
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Total fund balance	<u><u>\$ 12,123,383</u></u>
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See the accompanying notes to the supplementary information.

## CALIFORNIA MONTESSORI PROJECT

### RECONCILIATION OF THE STATEMENT OF ACTIVITIES TOTAL CHANGE IN NET ASSETS TO CHANGE IN FUND BALANCE THAT WOULD BE REPORTED UNDER GOVERNMENTAL ACCOUNTING STANDARDS For the Year Ended June 30, 2012

Total change in net assets	\$	271,462
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Amounts reported as changes in net assets in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay	\$ (402,127)	
Loss on disposal of capital assets	58,053	
Depreciation expense	<u>104,129</u>	
Net excess of capital outlay		(239,945)

Governmental funds report proceeds from long-term debt as an other financing source, while repayment of principal amounts is reported as an expenditure. The net effect of these differences in the treatment of long-term debt is as follows:

Proceeds from notes payable	3,223,681	
Long-term debt principal payments	<u>(67,599)</u>	
Change in long-term debt liability		3,156,082

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net increase in compensated absences	<u>(85,758)</u>
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Change in fund balance	<u>\$ 3,101,841</u>
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See the accompanying notes to the supplementary information.

## CALIFORNIA MONTESSORI PROJECT

### NOTES TO SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2012

#### **NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Supplemental Combining Statement of Financial Position**

This statement presents the statement of financial position of each site for analysis purposes.

**B. Supplemental Combining Statement of Activities**

This statement presents the statement of activities of each site for analysis purposes.

**C. Supplemental Combining Statement of Cash Flows**

This statement presents the statement of cash flows of each site for analysis purposes.

**D. Schedule of Average Daily Attendance (ADA)**

Average daily attendance is a measurement of the number of pupils attending classes of the Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**E. Schedule of Instructional Time Offered**

This schedule presents information on the amount of instructional time offered by the Schools and whether the Schools complied with the provisions of Education Code Sections 46200 through 46206.

**F. Reconciliation of Annual Financial and Budget Report to Audited Financial Statement Net Assets**

This schedule provides the information necessary to reconcile the fund balance as reported on the SACS Form to the audited financial statements.

**G. Reconciliation of the Statement of Financial Position Net Assets to Fund Balance that would Be Reported Under Governmental Accounting Standards**

This schedule reconciles net assets as reported in the Statement of Financial Position to fund balance that would be reported under Governmental Accounting Standards.

**H. Reconciliation of the Statement of Activities Total Change in Net Assets to Change in Fund Balance that would Be Reported Under Governmental Accounting Standards**

This schedule reconciles the total change in net assets as reported in the Statement of Activities to change in fund balance that would be reported under Governmental Accounting Standards.

**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***

Governing Board  
California Montessori Project  
5330-A Gibbons Drive, Suite 700  
Carmichael, CA 95608

We have audited the financial statements of California Montessori Project (the Schools) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. 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

Management of the Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Schools' internal control over financial reporting as a basis for designing our audit 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 Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' 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, management, the Sacramento and El Dorado County Office of Education, the California Department of Education, Sacramento City Unified School District, Elk Grove Unified School District, San Juan Unified School District, Buckeye Unified School District, and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

December 10, 2012

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
 California Montessori Project  
 5330-A Gibbons Drive, Suite 700  
 Carmichael, CA 95608

We have audited the compliance of California Montessori Project (the Schools) with the types of compliance requirements described in the *2011-2012 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2012. The Schools' State compliance requirements are identified in the table below. Compliance with the State laws and regulations as identified below is the responsibility of the Schools' management. Our responsibility is to express an opinion of the Schools' compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2011-2012 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Schools' compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determine of the Schools' compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Schools' compliance with the laws and regulations applicable to the following items:

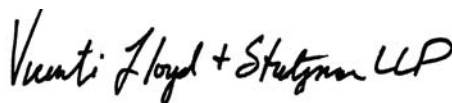
<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Not applicable
Teacher certification and misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Not applicable
Instructional time:		
School Districts	6	Not applicable
County Office of Education	3	Not applicable

## REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Instructional materials general requirements	8	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Public hearing requirement – receipt of funds	1	Not applicable
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils – Pertussis Immunization	2	Not applicable
After School Education and Safety Program		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	3	Yes
Mode of instruction	1	Yes
Nonclassroom based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes

In our opinion, we found that, for the items tested, the Schools complied with the laws and regulations of the state programs referred to above in all material respects.

This report is intended solely for the information and use of the Board, management, the Sacramento and El Dorado Office of Education, the California Department of Education, Sacramento City Unified School District, Elk Grove Unified School District, San Juan Unified School District, Buckeye Unified School District and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

December 10, 2012



**CALIFORNIA MONTESSORI PROJECT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2012**

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings or questioned costs for the year ended June 30, 2012.

**CALIFORNIA MONTESSORI PROJECT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

There were no findings or questioned costs for the year ended June 30, 2011.