

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

June 30, 2013



CALIFORNIA MONTESSORI PROJECT

ANNUAL FINANCIAL REPORT

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of California Montessori Project (the Schools), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Governing Board
California Montessori Project

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schools as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the Schools' financial statements as a whole. The accompanying supplementary schedules on pages 18-25 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this 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* in considering the Schools' internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 22, 2013

CALIFORNIA MONTESSORI PROJECT
STATEMENT OF FINANCIAL POSITION
June 30, 2013

Assets

Current assets

Cash in County Treasury	\$ 4,360,123
Cash on hand and in banks	324,177
Cash in revolving fund	10,250
Accounts receivable:	
Federal and state governments	5,422,721
Deposits and prepaid assets, current portion	<u>76,350</u>
Total current assets	<u>10,193,621</u>

Non-current assets

Deposits and prepaid assets, net of current portion	46,882
Property, plant and equipment, net	<u>5,769,430</u>
Total assets	<u><u>\$ 16,009,933</u></u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 1,536,631
Compensated absences	371,261
Amounts held for others	318,192
Notes payable, current portion	<u>155,097</u>
Total current liabilities	<u>2,381,181</u>

Non-current liabilities

Notes payable, net of current portion	<u>4,294,086</u>
Total non-current liabilities	<u>4,294,086</u>

Net assets

Unrestricted - capital assets, net of related debt	1,320,247
Unrestricted	<u>8,014,419</u>
Total net assets	<u>9,334,666</u>
Total liabilities and net assets	<u><u>\$ 16,009,933</u></u>

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

CALIFORNIA MONTESSORI PROJECT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues			
Revenue from state sources:			
State aid portion of general purpose block grant	\$ 7,100,849	\$ -	\$ 7,100,849
Class size reduction	1,064,266		1,064,266
Lottery	323,167		323,167
Other state revenue	1,644,873		1,644,873
Total revenue from state sources	10,133,155	-	10,133,155
Revenue from federal sources	265,016		265,016
Revenue from local sources:			
In-lieu property tax	2,779,007		2,779,007
Interest	99,697		99,697
Other local revenue	1,032,510		1,032,510
Total revenue from local sources	3,911,214	-	3,911,214
Total revenues	14,309,385	-	14,309,385
Net assets released from restriction	3,329,194	(3,329,194)	-
Total revenues and net assets released from restriction	17,638,579	(3,329,194)	14,309,385
Expenses			
Program services:			
Instruction	8,297,601		8,297,601
Instruction-related services	1,935,857		1,935,857
Pupil services	175,201		175,201
Support services:			
General administration	1,717,243		1,717,243
Plant services	1,488,532		1,488,532
Interest	39,295		39,295
Depreciation	105,365		105,365
Total expenses	13,759,094	-	13,759,094
Change in net assets	3,879,485	(3,329,194)	550,291
Net assets - beginning of year	5,455,181	3,059,848	8,515,029
Adjustment for Restatement (Note 8)		269,346	269,346
Net assets - beginning of year, restated	5,455,181	3,329,194	8,784,375
Net assets - end of year	\$ 9,334,666	\$ -	\$ 9,334,666

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

CALIFORNIA MONTESSORI PROJECT

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 550,291
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	105,365
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	(1,390,960)
Accounts receivable - Other	6,102
Increase (decrease) in operating liabilities:	
Accounts payable	973,271
Compensated absences	(151,652)
Amounts held for others	36,008
Deferred revenue	<u>(11,587)</u>
Net cash flows from operating activities	<u>116,838</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(4,189,038)</u>
Net cash flows from investing activities	<u>(4,189,038)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of notes payable	<u>(52,669)</u>
Net cash flows from financing activities	<u>(52,669)</u>

Net decrease in cash and cash equivalents (4,124,869)

Cash and cash equivalents at the beginning of the year 8,819,419

Cash and cash equivalents at the end of the year \$ 4,694,550

Interest paid during the fiscal year \$ 39,295

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

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 other three charter school campuses each operate at a single site within the boundaries of their sponsoring 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 central administration offices are located at the Carmichael Campus site.

The Schools are funded principally through the California Department of Education and the Districts. 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 pay 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, 2013

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 do not currently have any temporarily restricted net assets. Net assets were released from restriction during the year ended June 30, 2013 as they were spent on facility construction.
- 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 average daily attendance (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, 2013

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, 2013

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 January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. 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, 2013, through November 22, 2013, 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, 2013

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, 2013 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, 2013, as provided by the pool sponsor, was \$4,360,123.

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 have 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 \$1,098,509.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - OPERATING LEASES: (continued)

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

Year Ended	
<u>June 30,</u>	
2014	\$ 1,328,153
2015	1,476,343
2016	1,505,628
2017	1,050,432
2018	<u>1,075,128</u>
Total	<u>\$ 6,435,684</u>

NOTE 4 - LONG-TERM DEBT:

Notes Payable

The Shingle Springs Campus has a loan agreement with a financial institution for \$750,000. The loan bears a variable interest rate that started at 7% per annum and required 38 monthly principal and interest payments in the amount of \$4,991. The note then required 83 additional monthly payments of approximately \$5,283 at an interest rate of 7.61%. As of June 30, 2013 the loan balance was \$658,046 and the interest rate was 4.5%. 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% will ultimately be 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). No interest accrues prior to the completion of the project. 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, 2013, the release of funding was approved in the amount of \$6,862,066 for the Elk Grove Campus, and \$1,134,912 for the Shingle Springs Campus all of which was received in prior fiscal years. No additional funding was released during the 2012-2013 fiscal year. The loan balance as of June 30, 2013 was \$3,223,681 for the Elk Grove Campus and \$567,456 for the Shingle Springs Campus.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - LONG-TERM DEBT: (continued)

A summary of the project activity through June 30, 2013 is as follows:

	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Total</u>
Award Summary			
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>
Summary of Funding Received			
State apportionment	\$ 3,638,385	\$ 567,456	\$ 4,205,841
CSFP lease amount	<u>3,223,681</u>	<u>567,456</u>	<u>3,791,137</u>
Total funding received as of June 30, 2013	<u>\$ 6,862,066</u>	<u>\$ 1,134,912</u>	<u>\$ 7,996,978</u>
Summary of Project Costs Incurred			
Project costs incurred prior to July 1, 2012			
Amounts expensed	\$ 399,815	\$ 127,089	\$ 526,904
Amounts capitalized as property, plant, and equipment	<u>187,078</u>	<u>286,653</u>	<u>473,731</u>
Total project costs incurred prior to July 1, 2012	<u>586,893</u>	<u>413,742</u>	<u>1,000,635</u>
Project costs incurred July 1, 2012 to June 30, 2013			
Amounts expensed	-	5,000	5,000
Amounts capitalized as property, plant, and equipment	<u>3,457,271</u>	<u>365,795</u>	<u>3,823,066</u>
Total project costs incurred as of June 30, 2013	<u>\$ 4,044,164</u>	<u>\$ 784,537</u>	<u>\$ 4,828,701</u>

Future maturities under notes payable are as follows:

Year Ended <u>June 30</u>	
2014	\$ 155,097
2015	213,209
2016	798,364
2017	198,156
2018	204,183
Thereafter	<u>2,880,174</u>
Total	<u>\$ 4,449,183</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in this multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the Schools choose to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Schools have no plans to withdraw from this multiemployer plan.

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. Plan information for STRS is not publicly available. 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. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2012, total plan net assets are \$151 billion, the total actuarial present value of accumulated plan benefits is \$270 billion, contributions from all employers totaled \$2.1 billion, and the plan is 67% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - EMPLOYEE RETIREMENT PLAN: (continued)

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 2012-13 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:

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2011	\$368,531	100%
2012	\$423,541	100%
2013	\$448,466	100%

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT:

As of June 30, 2013 the cost and accumulated depreciation of property, plant and equipment was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Balance June 30, 2013</u>
Building	\$ 1,480,767	\$ -	\$ 1,480,767
Building improvements	502,349	49,554	551,903
Work in progress	<u>237,984</u>	<u>4,139,484</u>	<u>4,377,468</u>
Totals at historical cost	2,221,100	4,189,038	6,410,138
Less accumulated depreciation for:			
Building	332,114	47,404	379,518
Building improvements	<u>203,229</u>	<u>57,961</u>	<u>261,190</u>
Total accumulated depreciation	<u>535,343</u>	<u>105,365</u>	<u>640,708</u>
Property, plant and equipment, net	<u>\$ 1,685,757</u>	<u>\$ 4,083,673</u>	<u>\$ 5,769,430</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 - ADJUSTMENT FOR RESTATEMENT:

During the year ended June 30, 2013, it was noted that in a prior year the Elk Grove Campus received Prop 55 funding in the amount of \$538,692 that was recorded similar to previous amounts received under Prop 55: 50% revenue and 50% debt. However, based on information obtained during the 2012-2013 fiscal year it was determined that this amount should have been recorded 100% as revenue. Therefore, a restatement was made to beginning net assets in the amount of \$269,346.

NOTE 9 - SUBSEQUENT EVENT:

On October 11, 2013, the Schools obtained a promissory note in the amount of \$1,800,000 that matures on February 28, 2014. The note bears an interest rate equal to the greater of (a) the Prime Rate plus three-quarters of one point (.75) or (b) four percent (4%), with increases or decreases in the interest rate occurring at the time of any such corresponding increase or decrease in the Prime Rate. Principal and interest are due upon maturity.

SUPPLEMENTARY INFORMATION SECTION

CALIFORNIA MONTESSORI PROJECT

HISTORY AND ORGANIZATION

June 30, 2013

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, 2013

The Governing Board and Administration for the fiscal year ending June 30, 2013 were as follows:

GOVERNING BOARD

<u>MEMBERS</u>	<u>OFFICE</u>	<u>TERM</u>
Rob Henderson	Business Representative (Chairperson)	2015
Dave Nelson	Parent Representative – Shingle Springs (Vice Chair)	2014
Nikki Hemphill	Governing Board Secretary	TBD
Kalyca Green	Teacher Representative – American River	2015
Jenny Savakus	Community Representative (CFO)	2015
Patrick Briggs	Parent Representative – Capitol	2014
Kimberley Fletcher	Parent Representative – Elk Grove	2016
Andrea Ridge	Parent Representative – San Juan	2015

ADMINISTRATION

Gary Bowman	Executive Director
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CALIFORNIA MONTESSORI PROJECT

SUPPLEMENTAL COMBINING STATEMENT OF FINANCIAL POSITION June 30, 2013

	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin	Eliminations	Total
<u>Assets</u>							
Current assets							
Cash in County Treasury	\$ 8,791	\$ 49,170	\$ 4,065,970	\$ 236,192	\$ -	\$ -	\$ 4,360,123
Cash on hand and in banks	134,485	42,089	32,774	114,829			324,177
Cash in revolving fund					10,250		10,250
Accounts receivable:							
Federal and state governments	3,132,000	914,930	822,721	553,070			5,422,721
Intracompany receivable			284,540	806,000	731,645	(1,822,185)	-
Deposits and prepaid assets, current portion	33,580	9,815	32,493	462			76,350
Total current assets	3,308,856	1,016,004	5,238,498	1,710,553	741,895	(1,822,185)	10,193,621
Non-current assets							
Deposits and prepaid assets, net of current portion	46,882						46,882
Property, plant and equipment, net	141,648		4,157,076	1,470,706			5,769,430
Total assets	\$ 3,497,386	\$ 1,016,004	\$ 9,395,574	\$ 3,181,259	\$ 741,895	\$ (1,822,185)	\$ 16,009,933
<u>Liabilities and Net Assets</u>							
Current liabilities							
Accounts payable	\$ 105,171	\$ 27,572	\$ 1,048,812	\$ 22,461	\$ 332,615	\$ -	\$ 1,536,631
Intracompany payable	1,537,645				284,540	(1,822,185)	-
Compensated absences	161,677	50,549	49,056	109,979			371,261
Amounts held for others	131,485	41,089	31,789	113,829			318,192
Notes payable, current portion			73,098	81,999			155,097
Total current liabilities	1,935,978	119,210	1,202,755	328,268	617,155	(1,822,185)	2,381,181
Non-current liabilities							
Notes payable, net of current portion			3,150,583	1,143,503			4,294,086
Total non-current liabilities	-	-	3,150,583	1,143,503	-	-	4,294,086
Net assets							
Unrestricted - capital assets, net of related debt	141,648		933,395	245,204			1,320,247
Unrestricted	1,419,760	896,794	4,108,841	1,464,284	124,740		8,014,419
Total net assets	1,561,408	896,794	5,042,236	1,709,488	124,740	-	9,334,666
Total liabilities and net assets	\$ 3,497,386	\$ 1,016,004	\$ 9,395,574	\$ 3,181,259	\$ 741,895	\$ (1,822,185)	\$ 16,009,933

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

SUPPLEMENTAL COMBINING STATEMENT OF ACTIVITIES For the Year Ended June 30, 2013

	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin	Eliminations	Total
UNRESTRICTED NET ASSETS							
Revenues							
Revenue from state sources:							
State aid portion of general purpose block grant	\$ 3,668,623	\$ 1,119,891	\$ 1,181,010	\$ 1,131,325	\$ -	\$ -	\$ 7,100,849
Class size reduction	579,273	134,897	170,225	179,871			1,064,266
Lottery	165,651	50,526	44,664	62,326			323,167
Other state revenue	864,322	246,392	244,770	289,389			1,644,873
Total revenue from state sources	5,277,869	1,551,706	1,640,669	1,662,911	-	-	10,133,155
Revenue from federal sources	142,602	40,934	39,002	42,478			265,016
Revenue from local sources:							
In-lieu property tax	1,464,665	345,093	274,872	694,377			2,779,007
Interest	51,923	14,898	14,501	18,375			99,697
Other local revenue	373,150	215,612	292,477	113,568	1,416,466	(1,378,763)	1,032,510
Total revenue from local sources	1,889,738	575,603	581,850	826,320	1,416,466	(1,378,763)	3,911,214
Total unrestricted revenues	7,310,209	2,168,243	2,261,521	2,531,709	1,416,466	(1,378,763)	14,309,385
Net assets released from restriction	-	-	3,175,480	153,714	-	-	3,329,194
Total unrestricted revenues and net assets released from restriction	7,310,209	2,168,243	5,437,001	2,685,423	1,416,466	(1,378,763)	17,638,579
Expenses							
Program services:							
Instruction	4,436,571	1,179,153	1,204,635	1,477,242			8,297,601
Instruction-related services	989,443	273,859	303,745	328,549	40,261		1,935,857
Pupil services	127,341	30,977	13,508	3,375			175,201
Support services:							
General administration	953,293	289,701	264,964	311,303	1,276,745	(1,378,763)	1,717,243
Plant services	944,465	147,779	214,729	82,099	99,460		1,488,532
Interest				39,295			39,295
Depreciation	26,914		16,362	62,089			105,365
Total expenditures	7,478,027	1,921,469	2,017,943	2,303,952	1,416,466	(1,378,763)	13,759,094
Change in unrestricted net assets	(167,818)	246,774	3,419,058	381,471	-	-	3,879,485
TEMPORARILY RESTRICTED NET ASSETS							
Net assets released from restriction	-	-	(3,175,480)	(153,714)	-	-	(3,329,194)
Change in temporarily restricted net assets	-	-	(3,175,480)	(153,714)	-	-	(3,329,194)
Total change in net assets	(167,818)	246,774	243,578	227,757	-	-	550,291
Net assets - beginning of year	1,729,226	650,020	4,529,312	1,481,731	124,740		8,515,029
Adjustment for Restatement (Note 8)	-	-	269,346	-	-	-	269,346
Net assets - beginning of year, restated	1,729,226	650,020	4,798,658	1,481,731	124,740	-	8,784,375
Net assets - end of year	\$ 1,561,408	\$ 896,794	\$ 5,042,236	\$ 1,709,488	\$ 124,740	\$ -	\$ 9,334,666

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS For the Year Ended June 30, 2013

	<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>
CASH FLOWS FROM OPERATING ACTIVITIES:							
Change in Net Assets	\$ (167,818)	\$ 246,774	\$ 243,578	\$ 227,757	\$ -	\$ -	\$ 550,291
Adjustments to reconcile change in net assets to net cash flows from operating activities:							
Depreciation	26,914		16,362	62,089			105,365
(Increase) decrease in operating assets:							
Accounts receivable - Federal and state governments	(1,050,970)	(317,940)	(151,675)	129,625			(1,390,960)
Accounts receivable - Intracompany			(284,540)	(806,000)	(455,994)	1,546,534	-
Accounts receivable - Other					6,102		6,102
Increase (decrease) in operating liabilities:							
Accounts payable	51,988	(47,539)	935,817	14,665	18,340		973,271
Intracompany payable	1,261,994				284,540	(1,546,534)	-
Compensated absences	(58,085)	(20,623)	(30,283)	(42,661)			(151,652)
Amounts held for others	45,357	17,395	10,884	(37,628)			36,008
Deferred revenue	(5,678)	(1,622)	(1,970)	(2,317)			(11,587)
Net cash flows from operating activities	<u>103,702</u>	<u>(123,555)</u>	<u>738,173</u>	<u>(454,470)</u>	<u>(147,012)</u>	<u>-</u>	<u>116,838</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property, plant and equipment	(49,554)		(3,773,439)	(366,045)			(4,189,038)
Net cash flows from investing activities	<u>(49,554)</u>	<u>-</u>	<u>(3,773,439)</u>	<u>(366,045)</u>	<u>-</u>	<u>-</u>	<u>(4,189,038)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Repayment of notes payable				(52,669)			(52,669)
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,669)</u>	<u>-</u>	<u>-</u>	<u>(52,669)</u>
Net increase (decrease) in cash and cash equivalents	54,148	(123,555)	(3,035,266)	(873,184)	(147,012)		(4,124,869)
Cash and cash equivalents at the beginning of the year	<u>89,128</u>	<u>214,814</u>	<u>7,134,010</u>	<u>1,224,205</u>	<u>157,262</u>		<u>8,819,419</u>
Cash and cash equivalents at the end of the year	<u>\$ 143,276</u>	<u>\$ 91,259</u>	<u>\$ 4,098,744</u>	<u>\$ 351,021</u>	<u>\$ 10,250</u>	<u>\$ -</u>	<u>\$ 4,694,550</u>
Interest paid during the fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,295</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) For the Year Ended June 30, 2013

Charter	Grades	Second Period Report		Annual Report	
		Classroom Based	Total	Classroom Based	Total
San Juan					
	Kindergarten	182.29	182.29	182.89	182.89
	First through third	452.39	452.39	451.08	451.08
	Fourth through sixth	250.96	250.96	250.02	250.02
	Seventh through eighth	109.55	109.55	108.96	108.96
	Special education- nonpublic, nonsectarian schools	0.42	0.42	0.50	0.50
	Extended year special education- nonpublic, nonsectarian schools			0.11	0.11
	Totals	<u>995.61</u>	<u>995.61</u>	<u>993.56</u>	<u>993.56</u>
Capitol					
	Kindergarten	46.38	46.38	46.51	46.51
	First through third	136.07	136.07	135.41	135.41
	Fourth through sixth	81.28	81.28	81.58	81.58
	Seventh through eighth	<u>23.02</u>	<u>23.02</u>	<u>23.08</u>	<u>23.08</u>
	Totals	<u>286.75</u>	<u>286.75</u>	<u>286.58</u>	<u>286.58</u>
Elk Grove					
	Kindergarten	38.07	38.07	38.06	38.06
	First through third	115.23	115.23	115.07	115.07
	Fourth through sixth	95.24	95.68	95.17	95.49
	Seventh through eighth	<u>31.69</u>	<u>31.69</u>	<u>31.81</u>	<u>31.81</u>
	Totals	<u>280.23</u>	<u>280.67</u>	<u>280.11</u>	<u>280.43</u>
Shingle Springs					
	Kindergarten	40.37	40.37	40.44	40.44
	First through third	135.08	135.08	135.19	135.19
	Fourth through sixth	125.77	125.77	125.73	125.73
	Seventh through eighth	<u>52.77</u>	<u>52.77</u>	<u>52.57</u>	<u>52.57</u>
	Totals	<u>353.99</u>	<u>353.99</u>	<u>353.93</u>	<u>353.93</u>
Grand Total		<u>1,916.58</u>	<u>1,917.02</u>	<u>1,914.18</u>	<u>1,914.50</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

SCHEDULE OF INSTRUCTIONAL TIME OFFERED For the Year Ended June 30, 2013

	Grade Level	Minutes Requirement	2012-13 Reduced Minutes	2012-13 Actual Minutes	Status
San Juan	Kindergarten	36,000	34,971	47,430	In Compliance
	Grade 1	50,400	48,960	57,450	In Compliance
	Grade 2	50,400	48,960	57,450	In Compliance
	Grade 3	50,400	48,960	57,450	In Compliance
	Grade 4	54,000	52,457	57,630	In Compliance
	Grade 5	54,000	52,457	57,630	In Compliance
	Grade 6	54,000	52,457	57,630	In Compliance
	Grade 7	54,000	52,457	60,550	In Compliance
	Grade 8	54,000	52,457	60,550	In Compliance
Capitol	Kindergarten	36,000	34,971	47,250	In Compliance
	Grade 1	50,400	48,960	57,450	In Compliance
	Grade 2	50,400	48,960	57,450	In Compliance
	Grade 3	50,400	48,960	57,450	In Compliance
	Grade 4	54,000	52,457	57,450	In Compliance
	Grade 5	54,000	52,457	57,450	In Compliance
	Grade 6	54,000	52,457	57,450	In Compliance
	Grade 7	54,000	52,457	62,130	In Compliance
	Grade 8	54,000	52,457	62,130	In Compliance
Elk Grove	Kindergarten	36,000	34,971	47,610	In Compliance
	Grade 1	50,400	48,960	57,630	In Compliance
	Grade 2	50,400	48,960	57,630	In Compliance
	Grade 3	50,400	48,960	57,630	In Compliance
	Grade 4	54,000	52,457	57,630	In Compliance
	Grade 5	54,000	52,457	57,630	In Compliance
	Grade 6	54,000	52,457	57,630	In Compliance
	Grade 7	54,000	52,457	62,340	In Compliance
	Grade 8	54,000	52,457	62,340	In Compliance
Shingle Springs	Kindergarten	36,000	34,971	37,590	In Compliance
	Grade 1	50,400	48,960	57,450	In Compliance
	Grade 2	50,400	48,960	57,450	In Compliance
	Grade 3	50,400	48,960	57,450	In Compliance
	Grade 4	54,000	52,457	59,955	In Compliance
	Grade 5	54,000	52,457	59,955	In Compliance
	Grade 6	54,000	52,457	59,955	In Compliance
	Grade 7	54,000	52,457	62,340	In Compliance
	Grade 8	54,000	52,457	62,340	In Compliance

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

RECONCILIATION OF ANNUAL FINANCIAL REPORT TO AUDITED FINANCIAL STATEMENT NET ASSETS For the Year Ended June 30, 2013

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>
June 30, 2013, annual financial and budget report net assets	\$ 1,575,408	\$ 896,794	\$ 4,772,890	\$ 1,709,488
Adjustments and reclassifications:				
Increasing (decreasing) net assets:				
Property, plant and equipment, net	-	-	704,570	-
Accounts payable	(14,000)	-	(704,570)	-
Notes payable	-	-	269,346	-
Total adjustments and reclassifications:	<u>(14,000)</u>	<u>-</u>	<u>269,346</u>	<u>-</u>
June 30, 2013, audited financial statement net assets	<u>\$ 1,561,408</u>	<u>\$ 896,794</u>	<u>\$ 5,042,236</u>	<u>\$ 1,709,488</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, 2013

Total net assets	\$ 9,334,666
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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	(5,769,430)
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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	4,449,183
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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>371,261</u>
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Total fund balance	<u><u>\$ 8,385,680</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, 2013

Total change in net assets	\$	550,291
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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	(4,189,038)	
Depreciation expense	<u>105,365</u>	
Net excess of capital outlay		(4,083,673)

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:

Long-term debt principal payments	<u>(52,669)</u>	
Change in long-term debt liability		(52,669)

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>151,652</u>
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Change in fund balance	\$	<u>(3,434,399)</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, 2013**

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 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.



**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Montessori Project (the Schools), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Schools' financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of financial statements, we considered the Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schools' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 22, 2013



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 *2012-13 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, 2013. The Schools' State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schools' compliance based on our audit of the types of compliance referred below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2012-13 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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the Schools' compliance with those requirements.

Compliance Requirements Tested

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
Continuation education	10	Not applicable
Independent study	23	Not applicable
Instructional time:		
School Districts	6	Not applicable
County Office of Education	3	Not applicable

INDEPENDENT AUDITOR'S 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
Juvenile Court Schools	8	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	1	Yes
Mode of instruction	1	Yes
Nonclassroom based instruction/independent study	15	No ¹
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

Opinion on State Compliance

In our opinion, the Schools complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2013.

Purpose of Report

The purpose of this report on state compliance is solely to describe the results of testing based on requirements of the *2012-13 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 22, 2013

CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2013

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 related to the basic financial statements or state awards for the year ended June 30, 2013.

CALIFORNIA MONTESSORI PROJECT
STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2013

There were no findings noted for the year ended June 30, 2012.