

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2017**



**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Montessori Project
Elk Grove Campus
Carmichael, CA

Report on the Financial Statements

We have audited the accompanying financial statements of California Montessori Project – Elk Grove Campus (the School), a component of California Montessori Project (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses 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.

Board of Directors
California Montessori Project
Elk Grove Campus

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2017, 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 an opinion on the School's financial statements as a whole. The accompanying supplementary schedules 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 December 11, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 effectiveness of 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 School's internal control over financial reporting and compliance.

CiftonLarsonAllen LLP
Glendora, CA
December 11, 2017

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF FINANCIAL POSITION
June 30, 2017**

Assets

Current assets

Cash on hand and in banks	\$ 1,199,234
Accounts receivable - federal and state governments	379,006
Deposits and prepaid assets	<u>19,315</u>
Total current assets	1,597,555

Non-current assets

Property, plant and equipment, net	<u>9,725,287</u>
Total assets	<u>\$ 11,322,842</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 112,004
Compensated absences	12,632
Amounts held for others	106,520
Notes payable, current portion	<u>127,342</u>
Total current liabilities	<u>358,498</u>

Non-current liabilities

Notes payable, net of current portion	<u>4,284,780</u>
Total non-current liabilities	<u>4,284,780</u>

Net assets

Unrestricted - capital assets, net of related debt	5,313,165
Unrestricted	1,315,292
Temporarily restricted	<u>51,107</u>
Total net assets	<u>6,679,564</u>
Total liabilities and net assets	<u>\$ 11,322,842</u>

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Revenue from state sources:			
State aid	\$ 2,533,390	\$ -	\$ 2,533,390
Other state revenue	343,146	-	343,146
Total revenue from state sources	2,876,536	-	2,876,536
Revenue from federal sources	78,956	-	78,956
Revenue from local sources:			
In-lieu property tax	723,155	-	723,155
Other local revenue	356,506	-	356,506
Total revenue from local sources	1,079,661	-	1,079,661
Total revenues	4,035,153	-	4,035,153
Net assets released from restriction	26,413	(26,413)	-
Total revenue and net assets released from restriction	4,061,566	(26,413)	4,035,153
Expenses			
Program services:			
Instruction	2,510,369	-	2,510,369
Instruction-related services	674,003	-	674,003
Pupil services	58,383	-	58,383
Support services:			
General administration	142,505	-	142,505
Plant services	239,304	-	239,304
Interest	86,761	-	86,761
Depreciation	339,562	-	339,562
Total expenses	4,050,887	-	4,050,887
Change in net assets	10,679	(26,413)	(15,734)
Net assets - beginning of year	6,617,778	77,520	6,695,298
Net assets - end of year	<u>\$ 6,628,457</u>	<u>\$ 51,107</u>	<u>\$ 6,679,564</u>

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (15,734)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	339,562
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	228,796
Deposits and prepaid expenses	28,596
Increase (decrease) in operating liabilities:	
Accounts payable	(153,646)
Amounts held for others	46,270
Net cash flows from operating activities	<u>473,844</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(690,303)</u>
Net cash flows from investing activities	<u>(690,303)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of notes payable	<u>(125,030)</u>
Net cash flows from financing activities	<u>(125,030)</u>

Net change in cash and cash equivalents	(341,489)
Cash and cash equivalents at the beginning of the year	<u>1,540,723</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 1,199,234</u></u>
Interest paid during the fiscal year	<u><u>\$ 86,761</u></u>

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017**

	Program Services			Management and General				Total
	Instruction-related		Pupil services	General			Depreciation	
	Instruction	services		administration	Plant services	Interest		
Salaries and wages	\$ 1,729,108	\$ 514,411	\$ 41,141	\$ 115,166	\$ 29,252	\$ -	\$ -	\$ 2,429,078
Pension expense	144,092	27,566	-	-	2,313	-	-	173,971
Other employee benefits	180,345	46,222	1,157	14,293	686	-	-	242,703
Payroll taxes	54,399	23,322	1,982	8,806	2,253	-	-	90,762
Other fees for services	78,622	2,744	546	-	-	-	-	81,912
Office expenses	-	48,677	-	-	-	-	-	48,677
Occupancy expenses	-	-	13,486	-	203,033	-	-	216,519
Travel expenses	32,577	-	-	-	-	-	-	32,577
Conference and meeting expenses	16,454	595	-	-	-	-	-	17,049
Interest expense	-	-	-	-	-	86,761	-	86,761
Depreciation expense	-	-	-	-	-	-	339,562	339,562
Instructional materials	248,910	2,271	71	4,240	-	-	-	255,492
Other expenses	25,862	8,195	-	-	1,767	-	-	35,824
	<u>\$ 2,510,369</u>	<u>\$ 674,003</u>	<u>\$ 58,383</u>	<u>\$ 142,505</u>	<u>\$ 239,304</u>	<u>\$ 86,761</u>	<u>\$ 339,562</u>	<u>\$ 4,050,887</u>

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – California Montessori Project (the Schools), a California nonprofit public benefit corporation, was formed to provide a Montessori based educational program to every child in the State of California. The California Montessori Project – Elk Grove Campus (the School) was approved in 2006 by Elk Grove Unified School District (the District) to operate as a separate Charter. The School site is currently located in Elk Grove. The School is an operating segment of California Montessori Project, Inc., a non-profit corporation. The School is funded principally through the California Department of Education and the District. The School is governed by a Governing Board consisting of one teacher, one parent, the District Superintendent or designee, one Montessori community member, one business community member, one charter community member, and one public member from the community at large. In addition, the currently employed Director(s) will sit on the Governing Board as non-voting member(s).

The District has granted the charter through June 30, 2021, subject to amendment and renewal. The charter may be revoked by the District only for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

Each School also has a memorandum of understanding with the sponsoring District whereby the Schools pay the District 1% of the Schools' per pupil Local Control Funding Formula revenues to provide administrative oversight.

Cash and Cash Equivalents – The School's cash and cash equivalents include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Use of Estimates – The preparation of 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 reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

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

Functional Allocation of Expenses – Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

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.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classes – The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the School are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The School’s temporarily restricted net assets as of June 30, 2017 are comprised of the following:

California Clean Energy Jobs Act	\$ 50,859
Other Grants	248
Total temporarily restricted net assets	<u>\$ 51,107</u>

- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

Receivables – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2017. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful life of the asset.

Contributed Assets and Services – Contributions of donated non-cash assets are recorded at fair value in the period received. 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 recorded at fair values in the period received.

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.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The compensated absences liability is reported on the statement of financial position. Employees of the School 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.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the School 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.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

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 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 School files 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.

Evaluation of Subsequent Events – The School has evaluated subsequent events through December 11, 2017, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

The School maintains bank accounts with numerous institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts may exceed the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash in banks.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings and equipment in excess of \$10,000.

A summary of changes in property, plant and equipment as of June 30, 2017 is as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Land	\$ 536,289	\$ -	\$ -	\$ 536,289
Building	9,034,108	739,250	-	9,773,358
Equipment	31,462	174,325	-	205,787
Construction in progress	174,325	-	(174,325)	-
Less accumulated depreciation	<u>(401,638)</u>	<u>(388,509)</u>	<u>-</u>	<u>(790,147)</u>
Property, plant and equipment, net	<u>\$ 9,374,546</u>	<u>\$ 525,066</u>	<u>\$ (174,325)</u>	<u>\$ 9,725,287</u>

NOTE 4: NOTES PAYABLE

The School has entered into an agreement under the Charter School Facilities Program of the California School Finance Authority. Under this agreement, the School was awarded funding for facilities of which 50% is in the form of a 30 year loan. The loan carries an interest rate of 3% and requires principal and interest payments that commenced September 1, 2015. The loan balance as of was \$4,412,122.

Future maturities under note payable is as follows:

<u>Year Ended</u> <u>June 30</u>		
2018	\$	127,342
2019		129,912
2020		132,534
2121		135,209
2022		137,938
Thereafter		<u>3,749,187</u>
Total	<u>\$</u>	<u>4,412,122</u>

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 5: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plan

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer 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 (c) if the School chooses to stop participating in the multi-employer plan, they may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-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, 2016, total STRS plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers totaled \$3.4 billion, and the plan is 63.7% 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.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 9.20% of their salary and those hired after are required to contribute 8.56% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 5: EMPLOYEE RETIREMENT

The School's contributions to STRS for the past three years are as follows:

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2015	\$ 91,300	100%
2016	\$ 142,783	100%
2017	\$ 173,971	100%

NOTE 6: OPERATING LEASES

The School has an operating lease with a lease term in excess of one year. The agreement has a termination clause providing for cancellation after a specified number of days written notice to the lessor, but it is unlikely that the School will cancel any of the agreements prior to the expiration date. Current lease expense for the year under this agreement was \$132,024. Future minimum lease payments are as follows:

Year Ended <u>June 30,</u>	
2018	\$ 132,960
Total	\$ <u>132,960</u>

NOTE 7: CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

Tentative Report -
For Discussion Purposes Only
Subject to Revision

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2017**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Instructional Minutes</u>	<u>Traditional Calendar Days</u>	<u>Status</u>
Kindergarten	36,000	52,020	180	In Compliance
Grade 1	50,400	56,760	180	In Compliance
Grade 2	50,400	56,760	180	In Compliance
Grade 3	50,400	56,760	180	In Compliance
Grade 4	54,000	56,760	180	In Compliance
Grade 5	54,000	56,760	180	In Compliance
Grade 6	54,000	56,760	180	In Compliance
Grade 7	54,000	59,130	180	In Compliance
Grade 8	54,000	59,130	180	In Compliance

See independent auditor's report and the notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2017**

<u>Grades</u>	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Grades TK/K-3	276.14	276.14	274.01	274.01
Grades 4-6	123.97	123.97	122.34	122.34
Grades 7-8	<u>34.46</u>	<u>34.46</u>	<u>34.48</u>	<u>34.48</u>
Totals	<u><u>434.57</u></u>	<u><u>434.57</u></u>	<u><u>430.83</u></u>	<u><u>430.83</u></u>

Tentative Report -
For Discussion Purposes Only
Subject to Revision

See independent auditor's report and the notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

June 30, 2017 annual financial report net assets	\$ 6,708,235
Adjustments and reclassifications:	
Increasing (decreasing) net assets:	
Cash on hand and in banks	446,082
Accounts receivable - Federal and state governments	(4,152)
Property, plant and equipment, net	(333,101)
Accounts payable	(41,495)
Compensated absences	(12,632)
Notes payable	23,147
Amounts held for others	<u>(106,520)</u>
Total adjustments and reclassifications:	<u>(28,671)</u>
June 30, 2017 audited financial statement net assets	<u>\$ 6,679,564</u>

See independent auditor's report and the notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of California Education Code.

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of the charter school as reported on the Annual Financial Report form to the audited financial statements.

Tentative Report
For Discussion Purposes Only
Subject to Revision

**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***

Board of Directors
California Montessori Project
Elk Grove Campus
Carmichael, CA

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 – Elk Grove Campus (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s 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 School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s 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 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 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 School's 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 non-compliance 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.

CliftonLarsonAllen LLP
Glendora, CA
December 11, 2017



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
California Montessori Project
Elk Grove Campus
Carmichael, CA

We have audited California Montessori Project – Elk Grove Campus’ (the School) compliance with the types of compliance requirements described in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2017. The School’s State compliance requirements are identified in the table below.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the School’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 School’s 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 School’s compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No ¹
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

¹ The School had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2017.

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP
Glendora, CA
December 11, 2017

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or state awards for the year ended June 30, 2017.

Tentative Report
For Discussion Purposes Only
Subject to Revision

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

There were no findings and questioned costs related to the basic financial statements or state awards for the prior year.

Tentative Report -
For Discussion Purposes Only
Subject to Revision