



Board of Directors
California Montessori Project
Carmichael, California

We have audited the financial statements of California Montessori Project (the Schools) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 14, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards, 2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by California Montessori Project are described in Note 1 to the financial statements.

As described in Note 1, the Organization changed accounting policies related to the change in accounting principle by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, in 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

No new accounting policies were adopted and the application of existing policies was not changed during 2019, other than that noted above.

We noted no transactions entered into by the Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2019.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Other information in documents containing audited financial statements

With respect to the Local Education Agency Organization Structure, Schedule of Instructional Time, Schedule of Average Daily Attendance, and Reconciliation of Annual Financial Report with Audited Financial Statements, and the combining schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 14, 2019.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

Recent accounting standards

Our promise is to get to know you and help you. For your consideration, we provided recent accounting standards applicable to the Schools.

Revenue recognition –

- Effective for fiscal years beginning after December 15, 2017 for public entities and December 15, 2018 for nonpublic entities. For the Schools– June 30, 2020's financial statements. Early adoption is permitted.
- Principles-based revenue standard to be applied to all industries.
- 5-step process for revenue recognition.
- Recognize revenue when an entity transfers goods or services to a customer, the amount recognized should represent the consideration to which the entity expects to be entitled.

Statement of cash flows –

- Effective for fiscal years beginning after December 15, 2017 for public entities and December 15, 2018 for nonpublic entities. For the Schools – June 30, 2020's financial statements.
- Streamlines activities between cash and restricted cash as operating, investing or financing, or as a combination of those activities.
- Provides explanation for the change in cash, cash equivalents and restricted cash.

Leases –

- Effective for fiscal years beginning after December 15, 2018 for public entities and December 15, 2020 for nonpublic entities. For the Schools – June 30, 2022's financial statements.
- Requires lessees to recognize the assets and liabilities arising from all leases on the statement of financial position.
- A lessee should recognize the liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.
- Continued differentiation between finance and operating leases.

Grants and Contracts –

- Effective for fiscal years beginning after June 15, 2018 for public entities and December 15, 2018 for nonpublic entities. For your Schools – June 30, 2020's financial statements.
- Provides decisions trees to assist in evaluating transactions in determining revenue recognition of grant and contracts.
- Defines nonreciprocal transactions (contributions) and conditional contributions that have been placed on the resourced provided.
- Conditional contributions only if both criteria exist:
 - Contributor retains either a right of return to the resources provided, and,
 - An entity must overcome a barrier in order to be entitled to the resources provided.
- Refers to the revenue recognition standard for reciprocal transactions (exchange).

This communication is intended solely for the information and use of the Board of Directors and management of California Montessori Project and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Glendora, California
December 14, 2019

Uncorrected Misstatements

Account		Description	Debit	Credit
Proposed Journal Entries				
Proposed Journal Entries JE # 7				
To record Deferred Rent Liability				
001-62-CLA1	Deferred Rent Expense		9,879.00	
004-62-CLA1	Deferred Rent Expense		39,515.00	
001-62-CLA2	Deferred Rent Liability			9,879.00
004-62-CLA2	Deferred Rent Liability			39,515.00
Total			49,394.00	49,394.00
Proposed Journal Entries JE # 10				
To record 17/18 4th quarter lottery revenue for a prior period adjustment				
002-62-8560	State Lottery Revenue-American River		17,808.00	
003-62-8560	State Lottery Revenue-Capitol		9,188.00	
004-62-8560	State Lottery Revenue-Carmichael		27,092.00	
005-62-8560	State Lottery Revenue-Elk Grove		20,967.00	
007-62-8560	State Lottery Revenue-Orangevale		11,581.00	
002-62-9791	Beginning Balance-American River			17,808.00
003-62-9791	Beginning Balance-Capitol			9,188.00
004-62-9791	Beginning Balance-Carmichael			27,092.00
005-62-9791	Beginning Balance-Elk Grove			20,967.00
007-62-9791	Beginning Balance-Orangevale			11,581.00
Total			86,636.00	86,636.00

Corrected Misstatements

Account		Description	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 6				
To move an improperly classified payback of construction funds as an asset into other state revenue and to remove depreciation calculated on the asset.				
005-62-8311	Other State-Elk Grove	59,521.00		
005-62-9435	Accum Depreciation-Bldg-Elk Grove	1,670.00		
005-62-6900	Depreciation Expense-Elk Grove			1,670.00
005-62-9430	Buildings/Asset-Elk Grove			59,521.00
Total		61,191.00	61,191.00	