

**CALIFORNIA MONTESSORI PROJECT**

**Independent Auditor's Report  
and Financial Statements  
For the Year Ended  
June 30, 2016**

**CALIFORNIA MONTESSORI PROJECT – SAN JUAN  
CALIFORNIA MONTESSORI PROJECT – CAPITOL  
CALIFORNIA MONTESSORI PROJECT – ELK GROVE  
CALIFORNIA MONTESSORI PROJECT – SHINGLE SPRINGS**



# CALIFORNIA MONTESSORI PROJECT

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
California Montessori Project  
Carmichael, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of California Montessori Project (the Schools), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2016, 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.

## **Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Schools as of June 30, 2016, 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.

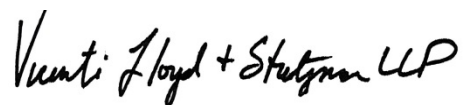
## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Schools' 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 12, 2016 on our consideration of the Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools' internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 12, 2016

**CALIFORNIA MONTESSORI PROJECT**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2016**

**Assets**

**Current assets**

Cash on hand and in banks	\$ 5,833,733
Accounts receivable:	
Federal and state governments	2,679,164
Deposits and prepaid assets	<u>382,121</u>
<b>Total current assets</b>	<b>8,895,018</b>

**Non-current assets**

Property, plant and equipment, net	<u>20,605,020</u>
<b>Total assets</b>	<b>\$ <u>29,500,038</u></b>

**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$ 928,213
Compensated absences	124,923
Amounts held for others	363,005
Notes payable, current portion	<u>199,957</u>
<b>Total current liabilities</b>	<b><u>1,616,098</u></b>

**Non-current liabilities**

Notes payable, net of current portion	<u>9,609,244</u>
<b>Total non-current liabilities</b>	<b><u>9,609,244</u></b>

**Net assets**

Unrestricted - capital assets, net of related debt	10,795,819
Unrestricted	6,768,169
Temporarily restricted	<u>710,708</u>
<b>Total net assets</b>	<b><u>18,274,696</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>29,500,038</u></b>

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

# CALIFORNIA MONTESSORI PROJECT

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Revenue from state sources:			
State aid	\$ 13,143,518	\$ -	\$ 13,143,518
Other state revenue	2,593,906	-	2,593,906
Total revenue from state sources	15,737,424	-	15,737,424
Revenue from federal sources	287,408	-	287,408
Revenue from local sources:			
In-lieu property tax	4,468,858	-	4,468,858
Interest	9,560	-	9,560
Other local revenue	1,963,048	254,322	2,217,370
Total revenue from local sources	6,441,466	254,322	6,695,788
<b>Total revenues</b>	22,466,298	254,322	22,720,620
<b>Expenses</b>			
Program services:			
Instruction	12,334,801	-	12,334,801
Instruction-related services	3,436,284	-	3,436,284
Pupil services	527,039	-	527,039
Support services:			
General administration	1,721,139	-	1,721,139
Plant services	1,962,240	-	1,962,240
Interest	85,703	-	85,703
Depreciation	687,458	-	687,458
<b>Total expenses</b>	20,754,664	-	20,754,664
<b>Change in net assets</b>	1,711,634	254,322	1,965,956
<b>Net assets - beginning of year</b>	15,852,354	456,386	16,308,740
<b>Net assets - end of year</b>	\$ 17,563,988	\$ 710,708	\$ 18,274,696

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

# CALIFORNIA MONTESSORI PROJECT

## STATEMENT OF CASH FLOWS For the Year Ended June 30, 2016

### CASH FLOWS FROM OPERATING ACTIVITIES:

<b>Change in Net Assets</b>	\$ 1,965,956
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	687,458
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	(602,214)
Accounts receivable - other	41,863
Deposits and prepaid expenses	(228,096)
Increase (decrease) in operating liabilities:	
Accounts payable	627,497
Compensated absences	(179,597)
Amounts held for others	1
Net cash flows from operating activities	<u>2,312,868</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(1,367,357)</u>
Net cash flows from investing activities	<u>(1,367,357)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of notes payable	<u>(694,525)</u>
Net cash flows from financing activities	<u>(694,525)</u>

<b>Net change in cash and cash equivalents</b>	250,986
<b>Cash and cash equivalents at the beginning of the year</b>	<u>5,582,747</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>\$ 5,833,733</u></u>

### SUPPLEMENTAL INFORMATION:

<b>Interest paid during the fiscal year</b>	<u><u>\$ 85,703</u></u>
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*The accompanying notes are an integral part of these financial statements.*

# CALIFORNIA MONTESSORI PROJECT

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services			Management and General				Total
	Instruction- related		Pupil services	General			Depreciation	
	Instruction	services		administration	Plant services	Interest		
Salaries and wages	\$ 7,819,383	\$ 2,561,292	\$ 431,958	\$ 383,461	\$ 79,626	\$ -	\$ -	\$ 11,275,720
Pension expense	644,251	102,466	23,459	-	-	-	-	770,176
Other employee benefits	823,617	255,314	36,710	50,455	4,673	-	-	1,170,769
Payroll taxes	231,717	116,569	19,369	27,914	5,845	-	-	401,414
Other fees for services	993,340	74,339	15,052	1,110,490	19,381	-	-	2,212,602
Office expenses	-	77,572	-	-	1,150	-	-	78,722
Occupancy expenses	-	69,092	-	-	1,795,360	-	-	1,864,452
Travel expenses	81,398	6,294	-	-	-	-	-	87,692
Conference and meeting expenses	151,059	3,379	-	-	-	-	-	154,438
Interest expense	-	-	-	-	-	85,703	-	85,703
Depreciation expense	-	-	-	-	-	-	687,458	687,458
Instructional materials	1,584,383	138,357	491	55,830	56,205	-	-	1,835,266
Other expenses	5,653	31,610	-	-	-	-	-	37,263
	<u>\$12,334,801</u>	<u>\$ 3,436,284</u>	<u>\$ 527,039</u>	<u>\$ 1,721,139</u>	<u>\$ 1,962,240</u>	<u>\$ 85,703</u>	<u>\$ 687,458</u>	<u>\$ 20,754,664</u>

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



# CALIFORNIA MONTESSORI PROJECT

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

*Nature of Activities* – The California Montessori Project Inc., A California Charter School, (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, 2019 for Shingle Springs and through June 30, 2021 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.

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 Schools' cash and cash equivalents include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**CALIFORNIA MONTESSORI PROJECT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

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

*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 Schools’ 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.

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

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Schools.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Schools temporarily restricted net assets as of June 30, 2016 are comprised of the following:

Educator Effectiveness	\$ 104,180
California Clean Energy Jobs Act	302,553
Other grants	6,600
Prop 55 Facilities Funding	<u>297,375</u>
Total temporarily restricted net assets	<u>\$ 710,708</u>

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

*Receivables* – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2016. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

# CALIFORNIA MONTESSORI PROJECT

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

***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 agencies of the Schools are 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.

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

***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.

***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.

**CALIFORNIA MONTESSORI PROJECT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

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

*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 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.

*Evaluation of Subsequent Events* – The Schools have evaluated subsequent events through December 12, 2016 the date these financial statements were available to be issued.

**NOTE 2: CONCENTRATION OF CREDIT RISK**

The Schools maintain 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 Schools have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash in banks.

**NOTE 3: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Schools capitalize all expenditures for land, buildings and equipment in excess of \$10,000. Depreciation expense was \$687,458 for the year ended June 30, 2016.

A summary of changes in property, plant and equipment as of June 30, 2016 are as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Land	\$ 1,056,596	\$ -	\$ -	\$ 1,056,596
Building	9,928,992	1,184,444	-	11,113,436
Leasehold improvements	145,798	-	-	145,798
Construction in progress	9,373,590	174,325	-	9,547,915
Equipment	175,934	1,794	-	177,728
Less accumulated depreciation	<u>(755,789)</u>	<u>(680,664)</u>	<u>-</u>	<u>(1,436,453)</u>
Property, plant and equipment, net	<u>\$ 19,925,121</u>	<u>\$ 679,899</u>	<u>\$ -</u>	<u>\$ 20,605,020</u>

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4: NOTES PAYABLE**

The Shingle Springs Campus had 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%. This loan was paid in full during the year ended June 30, 2016.

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 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 one year after the completion of the project. 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 \$9,299,178 and \$10,544,098, respectively. As of June 30, 2016, the loan balance was \$4,537,152 for the Elk Grove Campus and \$5,272,049 for the Shingle Springs Campus. The Elk Grove Campus project was completed in fiscal year 2013-2014. The Shingle Springs project is expected to be completed in fiscal year 2016-2017.

A summary of the project activity for the Single Springs Campus through June 30, 2016 is as follows:

	<b><u>Shingle Springs</u></b>
<b>Award Summary</b>	
State Apportionment	\$ 5,272,049
CSFP Lease Amount	<u>5,272,049</u>
Total OPSC Estimated Project Cost	<u><u>\$ 10,544,098</u></u>
<b>Summary of Funding Received</b>	
State apportionment	\$ 5,272,049
CSFP lease amount	<u>5,272,049</u>
Total funding received as of June 30, 2016	<u><u>\$ 10,544,098</u></u>

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4: NOTES PAYABLE**

	<u>Shingle Springs</u>
<b>Summary of Project Costs Incurred</b>	
Project costs incurred prior to July 1, 2015	
Amounts expensed	\$ 132,089
Amounts capitalized as property, plant, and equipment	<u>9,809,395</u>
Total project costs incurred prior to July 1, 2015	<u>9,941,484</u>
Project costs incurred July 1, 2015 to June 30, 2016	
Amounts capitalized as property, plant, and equipment	<u>662,057</u>
Total project costs incurred	
July 1, 2015 to June 30, 2016	<u>662,057</u>
Total project costs incurred as of June 30, 2016	<u>\$ 10,603,541</u>

Future maturities under notes payable are as follows:

<u>Year Ended June 30</u>		
2017	\$	199,957
2018		244,293
2019		250,420
2020		256,708
2121		263,160
Thereafter		<u>8,594,663</u>
Total	\$	<u>9,809,201</u>

**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 Schools choose to stop participating in the multi-employer plan, they may be required to pay a withdrawal liability to the plan. The Schools have no plans to withdraw from this multi-employer plan.

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5: EMPLOYEE RETIREMENT**

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

**Plan Description**

The Schools contribute 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, 2015, total STRS plan net assets are \$181 billion, the total actuarial present value of accumulated plan benefits is \$242 billion, contributions from all employers totaled \$2.55 billion, and the plan is 68.5% funded. The Schools 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](http://www.calstrs.com).

**Funding Policy**

Active plan members hired before December 31, 2012 are required to contribute 9.20% of their salary and those hired after are required to contribute 8.56% of their salary. 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. 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, 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

Year Ended June 30,	Required Contribution	Percent Contributed
2014	\$ 468,914	100%
2015	\$ 565,032	100%
2016	\$ 788,953	100%

**CALIFORNIA MONTESSORI PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 6: 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 \$1,328,618. Future minimum lease payments are as follows:

Year Ended	
<u>June 30,</u>	
2017	\$ 1,472,166
2018	1,492,746
2019	419,676
2020	419,676
2021	<u>416,085</u>
Total	<u>\$ 4,220,349</u>

**NOTE 7: CONTINGENCIES**

The Schools have 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**

# CALIFORNIA MONTESSORI PROJECT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2016

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, 2019 for Shingle Springs and through June 30, 2021 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**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2016**

	Grade Level	Minutes Requirement	Instructional Minutes	Instructional Days	Status
<b>San Juan</b>	Kindergarten	36,000	51,930	180	In Compliance
	Grade 1	50,400	56,640	180	In Compliance
	Grade 2	50,400	56,640	180	In Compliance
	Grade 3	50,400	56,640	180	In Compliance
	Grade 4	54,000	56,640	180	In Compliance
	Grade 5	54,000	56,640	180	In Compliance
	Grade 6	54,000	56,640	180	In Compliance
	Grade 7	54,000	58,440	180	In Compliance
	Grade 8	54,000	58,440	180	In Compliance
<b>Capitol</b>	Kindergarten	36,000	51,585	180	In Compliance
	Grade 1	50,400	56,295	180	In Compliance
	Grade 2	50,400	56,295	180	In Compliance
	Grade 3	50,400	56,295	180	In Compliance
	Grade 4	54,000	56,295	180	In Compliance
	Grade 5	54,000	56,295	180	In Compliance
	Grade 6	54,000	56,295	180	In Compliance
	Grade 7	54,000	61,005	180	In Compliance
	Grade 8	54,000	61,005	180	In Compliance
<b>Elk Grove</b>	Kindergarten	36,000	51,930	180	In Compliance
	Grade 1	50,400	56,640	180	In Compliance
	Grade 2	50,400	56,640	180	In Compliance
	Grade 3	50,400	56,640	180	In Compliance
	Grade 4	54,000	56,640	180	In Compliance
	Grade 5	54,000	56,640	180	In Compliance
	Grade 6	54,000	56,640	180	In Compliance
	Grade 7	54,000	61,350	180	In Compliance
	Grade 8	54,000	61,350	180	In Compliance
<b>Shingle Springs</b>	Kindergarten	36,000	37,800	180	In Compliance
	Grade 1	50,400	56,640	180	In Compliance
	Grade 2	50,400	56,640	180	In Compliance
	Grade 3	50,400	56,640	180	In Compliance
	Grade 4	54,000	58,995	180	In Compliance
	Grade 5	54,000	58,995	180	In Compliance
	Grade 6	54,000	58,995	180	In Compliance
	Grade 7	54,000	61,695	180	In Compliance
	Grade 8	54,000	61,695	180	In Compliance

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

**CALIFORNIA MONTESSORI PROJECT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2016**

<b>Charter</b>	<b>Grades</b>	<b>Second Period Report</b>		<b>Annual Report</b>	
		<b>Classroom Based</b>	<b>Total</b>	<b>Classroom Based</b>	<b>Total</b>
San Juan	Grades TK/K-3	733.15	733.15	731.32	731.32
	Grades 4-6	368.56	368.56	366.98	366.98
	Grades 7-8	<u>125.28</u>	<u>125.28</u>	<u>124.63</u>	<u>124.63</u>
	Totals	<u><u>1,226.99</u></u>	<u><u>1,226.99</u></u>	<u><u>1,222.93</u></u>	<u><u>1,222.93</u></u>
Capitol	Grades TK/K-3	168.85	168.85	168.40	168.40
	Grades 4-6	106.38	106.38	106.15	106.15
	Grades 7-8	<u>39.50</u>	<u>39.50</u>	<u>39.58</u>	<u>39.58</u>
	Totals	<u><u>314.73</u></u>	<u><u>314.73</u></u>	<u><u>314.13</u></u>	<u><u>314.13</u></u>
Elk Grove	Grades TK/K-3	283.73	283.73	281.17	281.17
	Grades 4-6	106.20	106.20	105.23	105.23
	Grades 7-8	<u>45.41</u>	<u>45.41</u>	<u>45.29</u>	<u>45.29</u>
	Totals	<u><u>435.34</u></u>	<u><u>435.34</u></u>	<u><u>431.69</u></u>	<u><u>431.69</u></u>
Shingle Springs	Grades TK/K-3	217.17	217.17	217.10	217.10
	Grades 4-6	128.56	128.56	128.06	128.06
	Grades 7-8	<u>74.38</u>	<u>74.38</u>	<u>74.00</u>	<u>74.00</u>
	Totals	<u><u>420.11</u></u>	<u><u>420.11</u></u>	<u><u>419.16</u></u>	<u><u>419.16</u></u>
Grand Total		<u><u>2,397.17</u></u>	<u><u>2,397.17</u></u>	<u><u>2,387.91</u></u>	<u><u>2,387.91</u></u>

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

**CALIFORNIA MONTESSORI PROJECT**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>
June 30, 2016 annual financial report net assets	\$ 2,750,787	\$ 1,272,388	\$ 6,632,217	\$ 7,361,045
Adjustments and reclassifications:				
Increasing (decreasing) net assets:				
Cash on hand and in banks	83,318	1,832	23,983	41,094
Deposits and prepaid assets	36,882	-	7,342	-
Property, plant and equipment, net	64,221	-	131,532	(279,892)
Accounts payable	(868)	1,374	(133,387)	(23,292)
Compensated absences	84,899	19,468	32,708	41,618
Amounts held for others	-	-	(60,250)	-
Notes payable	-	-	61,153	-
Total adjustments and reclassifications:	<u>268,452</u>	<u>22,674</u>	<u>63,081</u>	<u>(220,472)</u>
June 30, 2016 audited financial statement net assets	<u>\$ 3,019,239</u>	<u>\$ 1,295,062</u>	<u>\$ 6,695,298</u>	<u>\$ 7,140,573</u>

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

**CALIFORNIA MONTESSORI PROJECT**

**COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2016**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Total</u>
<b><u>Assets</u></b>						
<b>Current assets</b>						
Cash on hand and in banks	\$ 1,573,439	\$ 979,027	\$ 1,540,723	\$ 1,618,764	\$ 121,780	\$ 5,833,733
Accounts receivable:						
Federal and state governments	1,176,553	450,278	607,802	444,531	-	2,679,164
Deposits and prepaid assets	<u>236,779</u>	<u>20,022</u>	<u>47,911</u>	<u>44,929</u>	<u>32,480</u>	<u>382,121</u>
<b>Total current assets</b>	<u>2,986,771</u>	<u>1,449,327</u>	<u>2,196,436</u>	<u>2,108,224</u>	<u>154,260</u>	<u>8,895,018</u>
<b>Non-current assets</b>						
Property, plant and equipment, net	<u>379,985</u>	<u>-</u>	<u>9,374,546</u>	<u>10,850,489</u>	<u>-</u>	<u>20,605,020</u>
<b>Total assets</b>	<u>\$ 3,366,756</u>	<u>\$ 1,449,327</u>	<u>\$ 11,570,982</u>	<u>\$ 12,958,713</u>	<u>\$ 154,260</u>	<u>\$ 29,500,038</u>
<b><u>Liabilities and Net Assets</u></b>						
<b>Current liabilities</b>						
Accounts payable	\$ 200,416	\$ 97,683	\$ 265,650	\$ 334,728	\$ 29,736	\$ 928,213
Compensated absences	37,800	20,477	12,632	54,014	-	124,923
Amounts held for others	109,301	36,105	60,250	157,349	-	363,005
Notes payable, current portion	<u>-</u>	<u>-</u>	<u>114,515</u>	<u>85,442</u>	<u>-</u>	<u>199,957</u>
<b>Total current liabilities</b>	<u>347,517</u>	<u>154,265</u>	<u>453,047</u>	<u>631,533</u>	<u>29,736</u>	<u>1,616,098</u>
<b>Non-current liabilities</b>						
Notes payable, net of current portion	<u>-</u>	<u>-</u>	<u>4,422,637</u>	<u>5,186,607</u>	<u>-</u>	<u>9,609,244</u>
<b>Total non-current liabilities</b>	<u>-</u>	<u>-</u>	<u>4,422,637</u>	<u>5,186,607</u>	<u>-</u>	<u>9,609,244</u>
<b>Net assets</b>						
Unrestricted - capital assets, net of related debt	379,985	-	4,837,394	5,578,440	-	10,795,819
Unrestricted	2,427,734	1,238,983	1,780,384	1,196,544	124,524	6,768,169
Temporarily restricted	<u>211,520</u>	<u>56,079</u>	<u>77,520</u>	<u>365,589</u>	<u>-</u>	<u>710,708</u>
<b>Total net assets</b>	<u>3,019,239</u>	<u>1,295,062</u>	<u>6,695,298</u>	<u>7,140,573</u>	<u>124,524</u>	<u>18,274,696</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,366,756</u>	<u>\$ 1,449,327</u>	<u>\$ 11,570,982</u>	<u>\$ 12,958,713</u>	<u>\$ 154,260</u>	<u>\$ 29,500,038</u>

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

**CALIFORNIA MONTESSORI PROJECT**

**COMBINING STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>							
<b>Revenues</b>							
Revenue from state sources:							
State aid	\$ 6,836,489	\$ 1,776,442	\$ 2,527,249	\$ 2,003,338	\$ -	\$ -	\$ 13,143,518
Other state revenue	<u>1,318,603</u>	<u>371,954</u>	<u>458,965</u>	<u>444,384</u>	<u>-</u>	<u>-</u>	<u>2,593,906</u>
Total revenue from state sources	8,155,092	2,148,396	2,986,214	2,447,722	-	-	15,737,424
Revenue from federal sources	149,444	39,256	52,781	45,927	-	-	287,408
Revenue from local sources:							
In-lieu property tax	2,273,882	509,466	649,418	1,036,092	-	-	4,468,858
Interest	1,873	-	-	-	7,687	-	9,560
Other local revenue	<u>975,965</u>	<u>221,692</u>	<u>329,853</u>	<u>435,392</u>	<u>1,859,354</u>	<u>(1,859,208)</u>	<u>1,963,048</u>
Total revenue from local sources	<u>3,251,720</u>	<u>731,158</u>	<u>979,271</u>	<u>1,471,484</u>	<u>1,867,041</u>	<u>(1,859,208)</u>	<u>6,441,466</u>
<b>Total unrestricted revenues</b>	11,556,256	2,918,810	4,018,266	3,965,133	1,867,041	(1,859,208)	22,466,298
<b>Expenses</b>							
Program services:							
Instruction	6,252,274	1,658,054	2,074,692	2,332,961	16,820	-	12,334,801
Instruction-related services	1,276,870	456,481	584,922	603,933	514,078	-	3,436,284
Pupil services	331,159	8,412	100,260	5,150	82,058	-	527,039
Support services:							
General administration	1,179,592	367,258	477,965	420,164	1,135,368	(1,859,208)	1,721,139
Plant services	1,180,515	233,076	223,586	206,349	118,714	-	1,962,240
Interest	-	-	74,363	11,340	-	-	85,703
Depreciation	<u>44,815</u>	<u>-</u>	<u>292,033</u>	<u>350,610</u>	<u>-</u>	<u>-</u>	<u>687,458</u>
<b>Total expenditures</b>	<u>10,265,225</u>	<u>2,723,281</u>	<u>3,827,821</u>	<u>3,930,507</u>	<u>1,867,038</u>	<u>(1,859,208)</u>	<u>20,754,664</u>
Change in unrestricted net assets	<u>1,291,031</u>	<u>195,529</u>	<u>190,445</u>	<u>34,626</u>	<u>3</u>	<u>-</u>	<u>1,711,634</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>							
<b>Revenues</b>							
Other state revenue	<u>207,772</u>	<u>4,472</u>	<u>26,413</u>	<u>15,665</u>	<u>-</u>	<u>-</u>	<u>254,322</u>
<b>Total temporarily restricted revenues</b>	207,772	4,472	26,413	15,665	-	-	254,322
Change in temporarily restricted net assets	<u>207,772</u>	<u>4,472</u>	<u>26,413</u>	<u>15,665</u>	<u>-</u>	<u>-</u>	<u>254,322</u>
<b>Total change in net assets</b>	1,498,803	200,001	216,858	50,291	3	-	1,965,956
<b>Net assets - beginning of year</b>	<u>1,520,436</u>	<u>1,095,061</u>	<u>6,478,440</u>	<u>7,090,282</u>	<u>124,521</u>	<u>-</u>	<u>16,308,740</u>
<b>Net assets - end of year</b>	<u>\$ 3,019,239</u>	<u>\$ 1,295,062</u>	<u>\$ 6,695,298</u>	<u>\$ 7,140,573</u>	<u>\$ 124,524</u>	<u>\$ -</u>	<u>\$ 18,274,696</u>

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



**CALIFORNIA MONTESSORI PROJECT**

**COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
<b>Change in net assets</b>	\$ 1,498,803	\$ 200,001	\$ 216,858	\$ 50,291	\$ 3	\$ 1,965,956
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation	44,815	-	292,033	350,610	-	687,458
(Increase) decrease in operating assets:						
Accounts receivable - Federal and state governments	82,276	(204,000)	(138,000)	(342,490)	-	(602,214)
Accounts receivable - Other	18,561	9,083	7,490	6,729	-	41,863
Deposits and prepaid expenses	(104,161)	(10,207)	(37,739)	(43,509)	(32,480)	(228,096)
Increase (decrease) in operating liabilities:						
Accounts payable	154,815	67,905	254,645	121,176	28,956	627,497
Compensated absences	(84,900)	(19,468)	(33,608)	(41,621)	-	(179,597)
Amounts held for others	(4,615)	-	-	4,616	-	1
Net cash flows from operating activities	<u>1,605,594</u>	<u>43,314</u>	<u>561,679</u>	<u>105,802</u>	<u>(3,521)</u>	<u>2,312,868</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchases of property, plant and equipment	<u>(246,856)</u>	<u>-</u>	<u>(448,550)</u>	<u>(671,951)</u>	<u>-</u>	<u>(1,367,357)</u>
Net cash flows from investing activities	<u>(246,856)</u>	<u>-</u>	<u>(448,550)</u>	<u>(671,951)</u>	<u>-</u>	<u>(1,367,357)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Repayment of notes payable	<u>-</u>	<u>-</u>	<u>(112,437)</u>	<u>(582,088)</u>	<u>-</u>	<u>(694,525)</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>(112,437)</u>	<u>(582,088)</u>	<u>-</u>	<u>(694,525)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,358,738	43,314	692	(1,148,237)	(3,521)	250,986
<b>Cash and cash equivalents at the beginning of the year</b>	<u>214,701</u>	<u>935,713</u>	<u>1,540,031</u>	<u>2,767,001</u>	<u>125,301</u>	<u>5,582,747</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>\$ 1,573,439</u>	<u>\$ 979,027</u>	<u>\$ 1,540,723</u>	<u>\$ 1,618,764</u>	<u>\$ 121,780</u>	<u>\$ 5,833,733</u>
<b>SUPPLEMENTAL INFORMATION:</b>						
<b>Interest paid during the fiscal year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,363</u>	<u>\$ 11,340</u>	<u>\$ -</u>	<u>\$ 85,703</u>

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

## **CALIFORNIA MONTESSORI PROJECT**

### **NOTES TO THE SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2016**

#### **NOTE 1 – PURPOSE OF SCHEDULES**

##### **Schedule of Instructional Time**

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

##### **Schedule of Average Daily Attendance**

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.

##### **Reconciliation of Annual Financial Report with Audited Financial Statements**

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

##### **Combining Financial Statements**

These supplementary financial statements present the financial position, activities, and cash flows for each charter school and the central admin of California Montessori Project.

**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  
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 (the Schools), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, 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 12, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the 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. 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 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 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 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.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 12, 2016



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
California Montessori Project  
Carmichael, CA

We have audited California Montessori Project's (the Schools) compliance with the types of compliance requirements described in the *2015-2016 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, 2016. The Schools' 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 Schools' 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 *2015-2016 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 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.

### 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 Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No <sup>1</sup>
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

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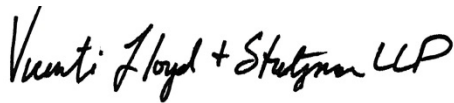
<sup>1</sup> The Schools had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2016.

### 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, 2016.

### 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 *2015-2016 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.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 12, 2016

**CALIFORNIA MONTESSORI PROJECT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2016**

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, 2016.

**CALIFORNIA MONTESSORI PROJECT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

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