

CALIFORNIA MONTESSORI PROJECT

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2015**

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



CALIFORNIA MONTESSORI PROJECT

TABLE OF CONTENTS

June 30, 2015

Independent Auditor's Report.....	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements.....	7
Local Education Agency Organization Structure	15
Schedule of Instructional Time.....	17
Schedule of Average Daily Attendance.....	18
Reconciliation of Annual Financial Report with Audited Financial Statements.....	19
Combining Statement of Financial Position.....	20
Combining Statement of Activities.....	21
Combining Statement of Cash Flows	22
Reconciliation of the Statement of Financial Position Net Assets to Fund Balance that would be Reported Under Governmental Accounting Standards.....	23
Reconciliation of the Statement of Activities Total Change in Net Assets to Change in Fund Balance that would be Reported Under Governmental Accounting Standards.....	24
Notes to the Supplementary Information.....	25
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 <i>Government Auditing Standards</i>	26
Independent Auditor's Report on State Compliance	28
Schedule of Findings and Questioned Costs.....	30
Status of Prior Year Findings and Questioned Costs.....	31



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, 2015, 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

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, 2015, 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.

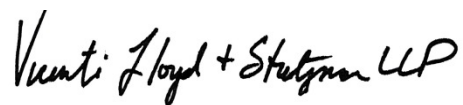
Other Matters

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 2, 2015 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 2, 2015

CALIFORNIA MONTESSORI PROJECT
STATEMENT OF FINANCIAL POSITION
June 30, 2015

Assets

Current assets

Cash in county treasury	\$ 5,203,508
Cash on hand and in banks	379,239
Accounts receivable:	
Federal and state governments	2,076,950
Other	41,863
Deposits and prepaid assets	<u>154,025</u>
Total current assets	7,855,585

Non-current assets

Property, plant and equipment, net	<u>19,925,121</u>
Total assets	<u>\$ 27,780,706</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 300,716
Compensated absences	304,520
Amounts held for others	363,004
Notes payable, current portion	<u>192,665</u>
Total current liabilities	<u>1,160,905</u>

Non-current liabilities

Notes payable, net of current portion	<u>10,311,061</u>
Total non-current liabilities	<u>10,311,061</u>

Net assets

Unrestricted - capital assets, net of related debt	9,421,395
Unrestricted	6,430,959
Temporarily restricted	<u>456,386</u>
Total net assets	<u>16,308,740</u>
Total liabilities and net assets	<u>\$ 27,780,706</u>

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

CALIFORNIA MONTESSORI PROJECT

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Revenue from state sources:			
State aid	\$ 11,541,324	\$ -	\$ 11,541,324
Other state revenue	<u>1,370,087</u>	<u>-</u>	<u>1,370,087</u>
Total revenue from state sources	12,911,411	-	12,911,411
Revenue from federal sources	417,528	-	417,528
Revenue from local sources:			
In-lieu property tax	3,664,191	-	3,664,191
Interest	88,099	-	88,099
Other local revenue	<u>1,041,698</u>	<u>28,629</u>	<u>1,070,327</u>
Total revenue from local sources	<u>4,793,988</u>	<u>28,629</u>	<u>4,822,617</u>
Total revenues	18,122,927	28,629	18,151,556
Net assets released from restriction	<u>3,431,949</u>	<u>(3,431,949)</u>	<u>-</u>
Total revenues and net assets released from restriction	<u>21,554,876</u>	<u>(3,403,320)</u>	<u>18,151,556</u>
Expenses			
Program services:			
Instruction	9,548,882	-	9,548,882
Instruction-related services	2,856,446	-	2,856,446
Pupil services	525,744	-	525,744
Support services:			
General administration	1,864,982	-	1,864,982
Plant services	2,117,322	-	2,117,322
Interest	27,703	-	27,703
Depreciation	<u>138,914</u>	<u>-</u>	<u>138,914</u>
Total expenses	<u>17,079,993</u>	<u>-</u>	<u>17,079,993</u>
Change in net assets	4,474,883	(3,403,320)	1,071,563
Net assets - beginning of year	<u>11,377,471</u>	<u>3,859,706</u>	<u>15,237,177</u>
Net assets - end of year	<u>\$ 15,852,354</u>	<u>\$ 456,386</u>	<u>\$ 16,308,740</u>

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

CALIFORNIA MONTESSORI PROJECT

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 1,071,563
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	138,914
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	(128,481)
Accounts receivable - other	3,621
Increase (decrease) in operating liabilities:	
Accounts payable	(574,732)
Compensated absences	(12,782)
Amounts held for others	(15,814)
Net cash flows from operating activities	<u>482,289</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(8,292,805)</u>
Net cash flows from investing activities	<u>(8,292,805)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of notes payable	<u>(38,487)</u>
Net cash flows from financing activities	<u>(38,487)</u>

Net change in cash and cash equivalents	(7,849,003)
Cash and cash equivalents at the beginning of the year	<u>13,431,750</u>
Cash and cash equivalents at the end of the year	<u>\$ 5,582,747</u>

SUPPLEMENTAL INFORMATION:

Interest paid during the fiscal year	<u>\$ 27,703</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, 2015**

	<u>Program Services</u>			<u>Management and General</u>				<u>Total</u>
	Instruction-related		Pupil services	General			Depreciation	
	Instruction	services		administration	Plant services	Interest		
Salaries and wages	\$ 7,048,854	\$ 1,818,162	\$ 342,771	\$ 372,657	\$ 62,835	\$ -	\$ -	\$ 9,645,279
Pension expense	461,040	75,681	14,493	-	-	-	-	551,214
Other employee benefits	813,976	172,039	25,206	11,260	2,750	-	-	1,025,231
Payroll taxes	201,469	81,593	16,832	28,201	4,839	-	-	332,934
Other fees for services	554,088	61,659	105,581	1,416,750	34,584	-	-	2,172,662
Office expenses	-	57,297	-	-	-	-	-	57,297
Occupancy expenses	-	55,592	13,384	-	1,976,828	-	-	2,045,804
Travel expenses	19,123	1,883	-	52	-	-	-	21,058
Conference and meeting expenses	56,898	-	411	-	-	-	-	57,309
Interest expense	-	-	-	-	-	27,703	-	27,703
Depreciation expense	-	-	-	-	-	-	138,914	138,914
Instructional materials	389,969	511,472	7,066	36,062	35,486	-	-	980,055
Other expenses	3,465	21,068	-	-	-	-	-	24,533
	<u>\$ 9,548,882</u>	<u>\$ 2,856,446</u>	<u>\$ 525,744</u>	<u>\$ 1,864,982</u>	<u>\$ 2,117,322</u>	<u>\$ 27,703</u>	<u>\$ 138,914</u>	<u>\$ 17,079,993</u>

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

CALIFORNIA MONTESSORI PROJECT

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The Districts have granted the charters through June 30, 2019 for Shingle Springs and through June 30, 2016 for the other campuses, subject to amendment and renewal. The charters may be revoked by the Districts only for material violations of the charters, failure to meet student outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

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

CALIFORNIA MONTESSORI PROJECT

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, 2015 are comprised of the following:

California Clean Energy Jobs Act	\$ 152,411
Other grants	6,600
Prop 55 Facilities Funding	<u>297,375</u>
Total temporarily restricted net assets	<u>\$ 456,386</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, 2015. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

CALIFORNIA MONTESSORI PROJECT

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2015

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 FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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 2, 2015 the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

The Schools maintain substantially all of its cash in the County Treasury. The County pools these funds with those of other educational organizations in the county and invests the cash. These pooled funds are carried at costs which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or collateralized. The fair value of the Schools' deposits in this pool as of June 30, 2015, as provided by the pool sponsor was approximately \$5,203,508.

The Schools also 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 \$138,914 for the year ended June 30, 2015.

CALIFORNIA MONTESSORI PROJECT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment as of June 30, 2015 are as follows:

	June 30, 2014	Additions	Retirements	June 30, 2015
Land	\$ 1,056,596	\$ -	\$ -	\$ 1,056,596
Building	9,827,811	101,181	-	9,928,992
Leasehold improvements	145,798	-	-	145,798
Construction in progress	1,181,966	8,191,624	-	9,373,590
Equipment	175,934	-	-	175,934
Less accumulated depreciation	<u>(616,875)</u>	<u>(138,914)</u>	<u>-</u>	<u>(755,789)</u>
Property, plant and equipment, net	<u>\$ 11,771,230</u>	<u>\$ 8,153,891</u>	<u>\$ -</u>	<u>\$ 19,925,121</u>

NOTE 4: NOTES PAYABLE

The Shingle Springs Campus has a loan agreement with a financial institution for \$750,000. The loan bears a variable interest rate that started at 7% per annum and required 38 monthly principal and interest payments in the amount of \$4,991. The note then required 83 additional monthly payments of approximately \$5,283 at an interest rate of 7.61%. As of June 30, 2015 the loan balance was \$582,088 and the interest rate was 4.5%. The note matures in December 2015.

The Elk Grove Campus and the Shingle Springs Campus have each entered into agreements under the Charter School Facilities Program of the California School Finance Authority. Under these agreements, each school was awarded funding for facilities of which 50% will ultimately be in the form of a 30 year loan. Each loan carries an interest rate of 3% and requires principal and interest payments to commence 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, 2015, the loan balance was \$4,649,589 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, payments on this loan are expected to begin in fiscal year 2015-2016.

CALIFORNIA MONTESSORI PROJECT

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

A summary of the project activity through June 30, 2015 is as follows:

	<u>Shingle Springs</u>
Award Summary	
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>
Summary of Funding Received	
State apportionment	\$ 5,272,049
CSFP lease amount	<u>5,272,049</u>
Total funding received as of June 30, 2015	<u><u>\$ 10,544,098</u></u>
Summary of Project Costs Incurred	
Project costs incurred prior to July 1, 2014	
Amounts expensed	\$ 132,089
Amounts capitalized as property, plant, and equipment	<u>1,617,771</u>
Total project costs incurred prior to July 1, 2014	<u><u>1,749,860</u></u>
Project costs incurred July 1, 2014 to June 30, 2015	
Amounts capitalized as property, plant, and equipment	<u>8,191,624</u>
Total project costs incurred July 1, 2014 to June 30, 2015	<u><u>8,191,624</u></u>
Total project costs incurred as of June 30, 2015	<u><u>\$ 9,941,484</u></u>

Future maturities under notes payable are as follows:

<u>Year Ended June 30</u>		
2016	\$	192,665
2017		807,047
2018		290,609
2019		299,415
2020		308,489
Thereafter		<u>8,605,501</u>
Total	\$	<u><u>10,503,726</u></u>

CALIFORNIA MONTESSORI PROJECT

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2015

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.

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, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 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.

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the Schools are required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

CALIFORNIA MONTESSORI PROJECT

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 5: EMPLOYEE RETIREMENT

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

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2013	\$ 448,466	100%
2014	\$ 468,914	100%
2015	\$ 565,032	100%

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 \$1,394,380. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2016	\$ 1,441,294
2017	1,052,490
2018	<u>1,073,070</u>
Total	<u>\$ 3,566,854</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, 2015

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

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

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015**

	Minutes	Reduced	Instructional	Instructional	
<u>Grade Level</u>	<u>Requirement</u>	<u>Requirement</u>	<u>Mintues</u>	<u>Days</u>	<u>Status</u>
San Juan					
Kindergarten	36,000	34,971	52,260	179	In Compliance
Grade 1	50,400	48,960	57,450	179	In Compliance
Grade 2	50,400	48,960	57,450	179	In Compliance
Grade 3	50,400	48,960	57,450	179	In Compliance
Grade 4	54,000	52,457	57,630	179	In Compliance
Grade 5	54,000	52,457	57,630	179	In Compliance
Grade 6	54,000	52,457	57,630	179	In Compliance
Grade 7	54,000	52,457	58,835	179	In Compliance
Grade 8	54,000	52,457	58,835	179	In Compliance
Capitol					
Kindergarten	36,000	34,971	52,260	179	In Compliance
Grade 1	50,400	48,960	57,450	179	In Compliance
Grade 2	50,400	48,960	57,450	179	In Compliance
Grade 3	50,400	48,960	57,450	179	In Compliance
Grade 4	54,000	52,457	57,450	179	In Compliance
Grade 5	54,000	52,457	57,450	179	In Compliance
Grade 6	54,000	52,457	57,450	179	In Compliance
Grade 7	54,000	52,457	62,130	179	In Compliance
Grade 8	54,000	52,457	62,130	179	In Compliance
Elk Grove					
Kindergarten	36,000	34,971	52,620	179	In Compliance
Grade 1	50,400	48,960	57,630	179	In Compliance
Grade 2	50,400	48,960	57,630	179	In Compliance
Grade 3	50,400	48,960	57,630	179	In Compliance
Grade 4	54,000	52,457	57,630	179	In Compliance
Grade 5	54,000	52,457	57,630	179	In Compliance
Grade 6	54,000	52,457	57,630	179	In Compliance
Grade 7	54,000	52,457	62,190	179	In Compliance
Grade 8	54,000	52,457	62,190	179	In Compliance
Shingle Springs					
Kindergarten	36,000	34,971	37,590	179	In Compliance
Grade 1	50,400	48,960	57,450	179	In Compliance
Grade 2	50,400	48,960	57,450	179	In Compliance
Grade 3	50,400	48,960	57,450	179	In Compliance
Grade 4	54,000	52,457	59,955	179	In Compliance
Grade 5	54,000	52,457	59,955	179	In Compliance
Grade 6	54,000	52,457	59,955	179	In Compliance
Grade 7	54,000	52,457	62,340	179	In Compliance
Grade 8	54,000	52,457	62,340	179	In Compliance

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

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015**

Charter	Grades	Second Period Report		Annual Report	
		Classroom Based	Total	Classroom Based	Total
San Juan	Grades TK/K-3	722.24	722.24	719.33	719.33
	Grades 4-6	320.99	320.99	320.60	320.60
	Grades 7-8	114.60	114.60	114.26	114.26
	Totals	<u>1,157.83</u>	<u>1,157.83</u>	<u>1,154.19</u>	<u>1,154.19</u>
Capitol	Grades TK/K-3	167.69	167.69	167.08	167.08
	Grades 4-6	107.82	107.82	107.41	107.41
	Grades 7-8	39.96	39.96	39.78	39.78
	Totals	<u>315.47</u>	<u>315.47</u>	<u>314.27</u>	<u>314.27</u>
Elk Grove	Grades TK/K-3	267.42	267.42	266.31	266.31
	Grades 4-6	100.92	100.92	100.84	100.84
	Grades 7-8	36.74	36.74	36.91	36.91
	Totals	<u>405.08</u>	<u>405.08</u>	<u>404.06</u>	<u>404.06</u>
Shingle Springs	Grades TK/K-3	175.72	175.72	175.49	175.49
	Grades 4-6	119.93	119.93	119.75	119.75
	Grades 7-8	63.44	63.44	63.09	63.09
	Totals	<u>359.09</u>	<u>359.09</u>	<u>358.33</u>	<u>358.33</u>
Grand Total		<u>2,237.47</u>	<u>2,237.47</u>	<u>2,230.85</u>	<u>2,230.85</u>

See 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, 2015**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>
June 30, 2015 annual financial report net assets	\$ 1,520,436	\$ 1,095,061	\$ 6,478,440	\$ 7,090,282
Adjustments and reclassifications:				
Increasing (decreasing) net assets:				
Property, plant and equipment, net	-	-	-	9,893
Accounts payable	-	-	-	(9,893)
Total adjustments and reclassifications:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2015 audited financial statement net assets	<u>\$ 1,520,436</u>	<u>\$ 1,095,061</u>	<u>\$ 6,478,440</u>	<u>\$ 7,090,282</u>

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

CALIFORNIA MONTESSORI PROJECT
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2015

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Total</u>
<u>Assets</u>						
Current assets						
Cash in county treasury	\$ 97,785	\$ 898,608	\$ 1,478,796	\$ 2,613,268	\$ 115,051	\$ 5,203,508
Cash on hand and in banks	116,916	37,105	61,235	153,733	10,250	379,239
Accounts receivable:						
Federal and state governments	1,258,829	246,278	469,802	102,041	-	2,076,950
Other	18,561	9,083	7,490	6,729	-	41,863
Deposits and prepaid assets	<u>132,618</u>	<u>9,815</u>	<u>10,172</u>	<u>1,420</u>	<u>-</u>	<u>154,025</u>
Total current assets	<u>1,624,709</u>	<u>1,200,889</u>	<u>2,027,495</u>	<u>2,877,191</u>	<u>125,301</u>	<u>7,855,585</u>
Non-current assets						
Property, plant and equipment, net	<u>177,944</u>	<u>-</u>	<u>9,218,029</u>	<u>10,529,148</u>	<u>-</u>	<u>19,925,121</u>
Total assets	<u>\$ 1,802,653</u>	<u>\$ 1,200,889</u>	<u>\$ 11,245,524</u>	<u>\$ 13,406,339</u>	<u>\$ 125,301</u>	<u>\$ 27,780,706</u>
<u>Liabilities and Net Assets</u>						
Current liabilities						
Accounts payable	\$ 45,601	\$ 29,778	\$ 11,005	\$ 213,552	\$ 780	\$ 300,716
Compensated absences	122,700	39,945	46,240	95,635	-	304,520
Amounts held for others	113,916	36,105	60,250	152,733	-	363,004
Notes payable, current portion	<u>-</u>	<u>-</u>	<u>163,618</u>	<u>29,047</u>	<u>-</u>	<u>192,665</u>
Total current liabilities	<u>282,217</u>	<u>105,828</u>	<u>281,113</u>	<u>490,967</u>	<u>780</u>	<u>1,160,905</u>
Non-current liabilities						
Notes payable, net of current portion	<u>-</u>	<u>-</u>	<u>4,485,971</u>	<u>5,825,090</u>	<u>-</u>	<u>10,311,061</u>
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>4,485,971</u>	<u>5,825,090</u>	<u>-</u>	<u>10,311,061</u>
Net assets						
Unrestricted - capital assets, net of related debt	177,944	-	4,568,440	4,675,011	-	9,421,395
Unrestricted	1,338,744	1,043,454	1,858,893	2,065,347	124,521	6,430,959
Temporarily restricted	<u>3,748</u>	<u>51,607</u>	<u>51,107</u>	<u>349,924</u>	<u>-</u>	<u>456,386</u>
Total net assets	<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>16,308,740</u>
Total liabilities and net assets	<u>\$ 1,802,653</u>	<u>\$ 1,200,889</u>	<u>\$ 11,245,524</u>	<u>\$ 13,406,339</u>	<u>\$ 125,301</u>	<u>\$ 27,780,706</u>

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

CALIFORNIA MONTESSORI PROJECT

**COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	<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>
UNRESTRICTED NET ASSETS							
Revenues							
Revenue from state sources:							
State aid	\$ 5,982,730	\$ 1,678,773	\$ 2,240,838	\$ 1,638,983	\$ -	\$ -	\$ 11,541,324
Other state revenue	<u>709,095</u>	<u>200,573</u>	<u>237,218</u>	<u>223,201</u>	<u>-</u>	<u>-</u>	<u>1,370,087</u>
Total revenue from state sources	6,691,825	1,879,346	2,478,056	1,862,184	-	-	12,911,411
Revenue from federal sources	228,529	56,559	66,667	65,773	-	-	417,528
Revenue from local sources:							
In-lieu property tax	1,908,814	482,571	482,706	790,100	-	-	3,664,191
Interest	4,521	8,111	12,963	62,504	-	-	88,099
Other local revenue	<u>474,101</u>	<u>180,558</u>	<u>220,173</u>	<u>122,232</u>	<u>1,512,822</u>	<u>(1,468,188)</u>	<u>1,041,698</u>
Total revenue from local sources	<u>2,387,436</u>	<u>671,240</u>	<u>715,842</u>	<u>974,836</u>	<u>1,512,822</u>	<u>(1,468,188)</u>	<u>4,793,988</u>
Total unrestricted revenues	9,307,790	2,607,145	3,260,565	2,902,793	1,512,822	(1,468,188)	18,122,927
Net assets released from restriction	<u>95,315</u>	<u>28,633</u>	<u>36,480</u>	<u>3,271,521</u>	<u>-</u>	<u>-</u>	<u>3,431,949</u>
Total unrestricted revenues and net assets released from restriction	<u>9,403,105</u>	<u>2,635,778</u>	<u>3,297,045</u>	<u>6,174,314</u>	<u>1,512,822</u>	<u>(1,468,188)</u>	<u>21,554,876</u>
Expenses							
Program services:							
Instruction	4,888,980	1,392,870	1,712,422	1,554,432	178	-	9,548,882
Instruction-related services	1,347,163	450,403	526,367	521,114	11,399	-	2,856,446
Pupil services	379,024	62,702	29,435	54,583	-	-	525,744
Support services:							
General administration	1,000,514	302,216	357,250	293,639	1,379,551	(1,468,188)	1,864,982
Plant services	1,352,404	260,160	273,150	109,913	121,695	-	2,117,322
Interest	-	-	-	27,703	-	-	27,703
Depreciation	<u>30,107</u>	<u>-</u>	<u>57,990</u>	<u>50,817</u>	<u>-</u>	<u>-</u>	<u>138,914</u>
Total expenditures	<u>8,998,192</u>	<u>2,468,351</u>	<u>2,956,614</u>	<u>2,612,201</u>	<u>1,512,823</u>	<u>(1,468,188)</u>	<u>17,079,993</u>
Change in unrestricted net assets	<u>404,913</u>	<u>167,427</u>	<u>340,431</u>	<u>3,562,113</u>	<u>(1)</u>	<u>-</u>	<u>4,474,883</u>
TEMPORARILY RESTRICTED NET ASSETS							
Revenues							
Other local revenue	<u>7,616</u>	<u>5,075</u>	<u>2,378</u>	<u>13,560</u>	<u>-</u>	<u>-</u>	<u>28,629</u>
Total temporarily restricted revenues	7,616	5,075	2,378	13,560	-	-	28,629
Net assets released from restriction	<u>(95,315)</u>	<u>(28,633)</u>	<u>(36,480)</u>	<u>(3,271,521)</u>	<u>-</u>	<u>-</u>	<u>(3,431,949)</u>
Change in temporarily restricted net assets	<u>(87,699)</u>	<u>(23,558)</u>	<u>(34,102)</u>	<u>(3,257,961)</u>	<u>-</u>	<u>-</u>	<u>(3,403,320)</u>
Total change in net assets	317,214	143,869	306,329	304,152	(1)	-	1,071,563
Net assets - beginning of year	<u>1,203,222</u>	<u>951,192</u>	<u>6,172,111</u>	<u>6,786,130</u>	<u>124,522</u>	<u>-</u>	<u>15,237,177</u>
Net assets - end of year	<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>

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

CALIFORNIA MONTESSORI PROJECT

**COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in Net Assets	\$ 317,214	\$ 143,869	\$ 306,329	\$ 304,152	\$ (1)	\$ 1,071,563
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation	30,107	-	57,990	50,817	-	138,914
(Increase) decrease in operating assets:						
Accounts receivable - Federal and state governments	(325,926)	40,086	(37,377)	194,736	-	(128,481)
Accounts receivable - Other	(6,520)	(498)	240	(2,782)	13,181	3,621
Increase (decrease) in operating liabilities:						
Accounts payable	(164,704)	(10,586)	(149,927)	92,374	(341,889)	(574,732)
Compensated absences	(10,374)	(791)	(3,143)	1,526	-	(12,782)
Amounts held for others	(36,495)	(13,081)	14,893	18,869	-	(15,814)
Net cash flows from operating activities	<u>(196,698)</u>	<u>158,999</u>	<u>189,005</u>	<u>659,692</u>	<u>(328,709)</u>	<u>482,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property, plant and equipment	<u>-</u>	<u>-</u>	<u>(101,181)</u>	<u>(8,191,624)</u>	<u>-</u>	<u>(8,292,805)</u>
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>(101,181)</u>	<u>(8,191,624)</u>	<u>-</u>	<u>(8,292,805)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayment of notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,487)</u>	<u>-</u>	<u>(38,487)</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,487)</u>	<u>-</u>	<u>(38,487)</u>
Net increase (decrease) in cash and cash equivalents	(196,698)	158,999	87,824	(7,570,419)	(328,709)	(7,849,003)
Cash and cash equivalents at the beginning of the year	<u>411,399</u>	<u>776,714</u>	<u>1,452,207</u>	<u>10,337,420</u>	<u>454,010</u>	<u>13,431,750</u>
Cash and cash equivalents at the end of the year	<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>
SUPPLEMENTAL INFORMATION:						
Interest paid during the fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,703</u>	<u>\$ -</u>	<u>\$ 27,703</u>

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

CALIFORNIA MONTESSORI PROJECT

**RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION
NET ASSETS TO FUND BALANCE THAT WOULD BE REPORTED UNDER
GOVERNMENTAL ACCOUNTING STANDARDS**

June 30, 2015

Total net assets \$ 16,308,740

Amounts reported in the statement of financial position are excluded from fund balance under governmental accounting standards because:

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

Property, plant and equipment, net (19,925,121)

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Notes payable 10,503,726

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

Compensated absences 304,520

Total fund balance \$ 7,191,865

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

CALIFORNIA MONTESSORI PROJECT

**RECONCILIATION OF THE STATEMENT OF ACTIVITIES TOTAL CHANGE
IN NET ASSETS TO CHANGE IN FUND BALANCE THAT WOULD BE REPORTED
UNDER GOVERNMENTAL ACCOUNTING STANDARDS
For the Year Ended June 30, 2015**

Total change in net assets		\$ 1,071,563
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Amounts reported as changes in net assets in the statement of activities are different because:

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

Capital outlay	\$ (8,292,805)	
Depreciation expense	<u>138,914</u>	
Net excess of capital outlay		(8,153,891)

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

Long-term debt principal payments	<u>(38,487)</u>	
Change in long-term debt liability		(38,487)

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

Net change in compensated absences		<u>(12,782)</u>
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Change in fund balance		<u><u>\$ (7,133,597)</u></u>
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See auditor's report and the notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

NOTES TO THE SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015

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.

Reconciliation of the Statement of Financial Position Net Assets to Fund Balance that would be Reported Under Governmental Accounting Standards

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2015, 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 2, 2015.

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 2, 2015

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 *2014-2015 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, 2015. 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 *2014-2015 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:	
California Clean Energy Jobs Act	No ¹
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation 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
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 Schools had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2015.

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, 2015.

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 *2014-2015 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 2, 2015

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

All audit findings must be identified as one or more of the following twelve 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, 2015.

CALIFORNIA MONTESSORI PROJECT

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

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