

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2014**



**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Montessori Project
Shingle Springs Campus
Carmichael, CA

Report on the Financial Statements

We have audited the accompanying financial statements of California Montessori Project – Shingle Springs Campus (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2014, 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.

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Board of Directors
California Montessori Project
Shingle Springs Campus

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

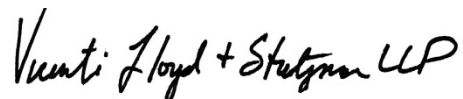
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying supplementary schedules on pages 15-19 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 3, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 School's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 3, 2014

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**STATEMENT OF FINANCIAL POSITION
June 30, 2014**

Assets

Current assets

Cash in county treasury	\$ 10,202,556
Cash on hand and in banks	134,864
Accounts receivable - Federal and state governments	296,777
Accounts receivable - other	3,947
Deposits and prepaid assets	<u>1,420</u>
Total current assets	10,639,564

Non-current assets

Property, plant and equipment, net	<u>2,388,341</u>
Total assets	<u>\$ 13,027,905</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 121,178
Compensated absences	94,109
Amounts held for others	133,864
Notes payable, current portion	<u>141,631</u>
Total current liabilities	<u>490,782</u>

Non-current liabilities

Notes payable, net of current portion	<u>5,750,993</u>
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Net assets

Unrestricted	3,178,245
Temporarily restricted	<u>3,607,885</u>
Total net assets	<u>6,786,130</u>
Total liabilities and net assets	<u>\$ 13,027,905</u>

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

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Revenue from state sources:			
State aid	\$ 1,525,584	\$ -	\$ 1,525,584
Other state revenue	<u>1,371,543</u>	<u>3,645,934</u>	<u>5,017,477</u>
Total revenue from state sources	2,897,127	3,645,934	6,543,061
Revenue from federal sources	57,830	-	57,830
Revenue from local sources:			
In-lieu property tax	718,298	-	718,298
Interest	22,060	-	22,060
Other local revenue	<u>141,787</u>	<u>-</u>	<u>141,787</u>
Total revenue from local sources	<u>882,145</u>	<u>-</u>	<u>882,145</u>
Total revenues	3,837,102	3,645,934	7,483,036
Net assets released from restriction	<u>38,049</u>	<u>(38,049)</u>	<u>-</u>
Total revenue and net assets released from restriction	<u>3,875,151</u>	<u>3,607,885</u>	<u>7,483,036</u>
Expenses			
Program services:			
Instruction	1,453,314	-	1,453,314
Instruction-related services	447,447	-	447,447
Pupil services	19,893	-	19,893
Support services:			
General administration	313,296	-	313,296
Plant services	96,036	-	96,036
Interest	28,720	-	28,720
Depreciation	<u>47,688</u>	<u>-</u>	<u>47,688</u>
Total expenses	<u>2,406,394</u>	<u>-</u>	<u>2,406,394</u>
Change in net assets	1,468,757	3,607,885	5,076,642
Net assets - beginning of year	<u>1,709,488</u>	<u>-</u>	<u>1,709,488</u>
Net assets - end of year	<u>\$ 3,178,245</u>	<u>\$ 3,607,885</u>	<u>\$ 6,786,130</u>

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

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 5,076,642
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	47,688
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	256,293
Intracompany accounts receivable	806,000
Accounts receivable - other	(3,947)
Deposits and prepaid expenses	(958)
Increase (decrease) in operating liabilities:	
Accounts payable	98,717
Compensated absences	(15,870)
Amounts held for others	20,035
Net cash flows from operating activities	<u>6,284,600</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	<u>(965,323)</u>
Net cash flows from investing activities	<u>(965,323)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from notes payable	4,704,593
Repayment of notes payable	<u>(37,471)</u>
Net cash flows from financing activities	<u>4,667,122</u>

Net change in cash and cash equivalents	9,986,399
Cash and cash equivalents at the beginning of the year	<u>351,021</u>
Cash and cash equivalents at the end of the year	<u>\$ 10,337,420</u>

Interest paid during the fiscal year	<u>\$ 28,720</u>
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The accompanying notes are an integral part of these financial statements.

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014**

	Program Services			Management and General				Total
	Instruction	Instruction- related services	Pupil services	General administration	Plant services	Interest	Depreciation	
Salaries and wages	\$ 1,061,921	\$ 330,566	\$ 6,523	\$ 48,425	\$ 16,675	\$ -	\$ -	\$ 1,464,110
Pension expense	72,974	13,410	-	-	-	-	-	86,384
Other employee benefits	124,584	25,718	201	1,611	529	-	-	152,643
Payroll taxes	23,493	15,120	502	3,734	1,284	-	-	44,133
Other fees for services	72,875	21,989	5,588	256,658	9,539	-	-	366,649
Office expenses	-	6,019	-	-	-	-	-	6,019
Occupancy expenses	-	13,092	-	-	62,780	-	-	75,872
Travel expenses	1,550	2,067	-	-	-	-	-	3,617
Conference and meeting expenses	4,641	2,718	-	-	-	-	-	7,359
Interest expense	-	-	-	-	-	28,720	-	28,720
Depreciation expense	-	-	-	-	-	-	47,688	47,688
Instructional materials	90,151	13,454	7,079	2,868	5,229	-	-	118,781
Other expenses	1,125	3,294	-	-	-	-	-	4,419
	<u>\$ 1,453,314</u>	<u>\$ 447,447</u>	<u>\$ 19,893</u>	<u>\$ 313,296</u>	<u>\$ 96,036</u>	<u>\$ 28,720</u>	<u>\$ 47,688</u>	<u>\$ 2,406,394</u>

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

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

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. California Montessori Project – Shingle Springs Campus (the School) was approved in 2006 by the Buckeye Unified School District (the District) to operate as a separate Charter. The School site is currently located in Shingle Springs. The School is an operating segment of California Montessori Project, inc., a non-profit Corporation. The School is funded principally through the California Department of Education and the District. The School is governed by a Governing Board consisting of one teacher, one parent, the District Superintendent or designee, one Montessori community member, one business community member, one charter community member, and one public member from the community at large. In addition, the currently employed Director(s) will sit on the Governing Board as non-voting member(s).

The District has granted the charter through June 30, 2016, subject to amendment and renewal. The charter may be revoked by the District only for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

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

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

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

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

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The School’s temporarily restricted net assets as of June 30, 2014 are comprised of the following:

Common Core Standards Implementation	\$ 35,503
California Clean Energy Jobs Act	50,467
Prop 55 Facilities Funding	<u>3,521,915</u>
Total temporarily restricted net assets	<u>\$ 3,607,885</u>

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

Receivables – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2014. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

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

Contributed Assets and Services – Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Taxes – Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

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

Income Taxes – California Montessori Project is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Evaluation of Subsequent Events – The School has evaluated subsequent events through December 3, 2014, the date these financial statements were available to be issued.

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 2: CONCENTRATION OF CREDIT RISK

The School maintains 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 School's deposits in this pool as of June 30, 2014, as provided by the pool sponsor was approximately \$10,203,000.

The School also maintains bank accounts with numerous institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2014 there were no deposits in excess of the FDIC limit.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings and equipment in excess of \$10,000. Depreciation expense was \$47,688 as of June 30, 2014. The components of property, plant and equipment as of June 30, 2014 are as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Land	\$ 320,000	\$ 200,307	\$ -	\$ 520,307
Building	1,167,315	-	-	1,167,315
Construction in progress	416,950	765,016	-	1,181,966
Less accumulated depreciation	<u>(433,559)</u>	<u>(47,688)</u>	<u>-</u>	<u>(481,247)</u>
Property, plant and equipment, net	<u>\$ 1,470,706</u>	<u>\$ 917,635</u>	<u>\$ -</u>	<u>\$ 2,388,341</u>

NOTE 4: NOTES PAYABLE

The School 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, 2014 the loan balance was \$620,575 and the interest rate was 4.5%. The note matures in December 2015.

The School also has entered into an agreement under the Charter School Facilities Program of the California School Finance Authority. Under this agreement, the School was awarded funding for facilities of which 50% will ultimately be in the form of a 30 year loan. The loan carries an interest rate of 3% and requires principal and interest payments to commence upon the completion of the project.

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 4: NOTES PAYABLE

No interest accrues prior to the completion of the project. The total amount of the note payable was \$10,544,098 and as of June 30, 2014, the loan balance was \$5,272,049.

A summary of the project activity through June 30, 2014 is as follows:

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, 2014	<u><u>\$ 10,544,098</u></u>

Summary of Project Costs Incurred

Project costs incurred prior to July 1, 2013	
Amounts expensed	\$ 132,089
Amounts capitalized as property, plant, and equipment	<u>652,448</u>
Total project costs incurred prior to July 1, 2013	<u>784,537</u>

Project costs incurred July 1, 2013 to June 30, 2014

Amounts capitalized as property, plant, and equipment	<u>965,323</u>
Total project costs incurred as of June 30, 2014	<u><u>\$ 1,749,860</u></u>

Future maturities under notes payable are as follows:

Year Ended	
<u>June 30</u>	
2015	\$ 141,631
2016	711,127
2017	121,414
2018	125,107
2019	128,913
Thereafter	<u>4,664,432</u>
Total	<u><u>\$ 5,892,624</u></u>

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 5: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plan

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

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, they may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2013, total plan net assets are \$166.3 billion, the total actuarial present value of accumulated plan benefits is \$277 billion, contributions from all employers totaled \$2.3 billion, and the plan is 66.9% funded. The School did not contribute more than 5% of the total contributions to the plan.

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 5: EMPLOYEE RETIREMENT

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

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2012	\$ 89,356	100%
2013	\$ 89,647	100%
2014	\$ 86,384	100%

NOTE 6: CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2014**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Reduced Requirement</u>	<u>Instructional Mintues</u>	<u>Instructional Days</u>	<u>Status</u>
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
SHINGLE SPRINGS CAMPUS**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2014**

<u>Grades</u>	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Grades TK/K-3	176.75	176.75	176.75	176.75
Grades 4-6	122.49	122.49	122.28	122.28
Grades 7-8	<u>54.92</u>	<u>54.92</u>	<u>54.83</u>	<u>54.83</u>
Totals	<u><u>354.16</u></u>	<u><u>354.16</u></u>	<u><u>353.86</u></u>	<u><u>353.86</u></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, 2014**

June 30, 2014 annual financial and budget report net assets	\$ 6,204,271
Adjustments and reclassifications:	
Increasing (decreasing) net assets:	
Cash in county treasury	(252,028)
Property, plant and equipment, net	67,126
Accounts payable	199,305
Notes payable	<u>567,456</u>
Total adjustments and reclassifications:	<u>581,859</u>
June 30, 2014 audited financial statement net assets	<u>\$ 6,786,130</u>

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

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION
NET ASSETS TO FUND BALANCE THAT WOULD BE REPORTED UNDER
GOVERNMENTAL ACCOUNTING STANDARDS
June 30, 2014**

Total net assets \$ 6,786,130

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 (2,388,341)

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 5,892,624

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 94,109

Total fund balance \$ 10,384,522

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

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**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, 2014**

Total change in net assets	\$ 5,076,642
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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	(965,323)	
Depreciation expense	<u>47,688</u>	
Net excess of capital outlay		(917,635)

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>(37,471)</u>	
Change in long-term debt liability		(37,471)

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>15,870</u>	
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Change in fund balance	<u><u>\$ 4,137,406</u></u>
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See auditor's report and the notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code Sections 46200 through 46206.

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

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

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
Shingle Springs Campus
Carmichael, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Montessori Project – Shingle Springs Campus (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2014, 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 3, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 3, 2014

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
 California Montessori Project
 Shingle Springs Campus
 Carmichael, CA

We have audited California Montessori Project – Shingle Springs Campus’ (the School) compliance with the types of compliance requirements described in the *2013-2014 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2014. The School’s State compliance requirements are identified in the table below.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the School’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2013-2014 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on State compliance. Our audit does not provide a legal determination of the School’s compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Not applicable
Teacher Certification and Misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Not applicable

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INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

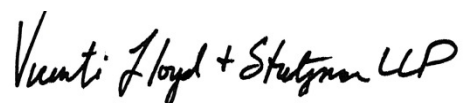
<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time for School Districts	10	Not applicable
Instructional materials general requirements	8	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous records of attendance	8	Yes
Mode of Instruction	1	Yes
Nonclassroom-based instructional/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes
Charter School Facility Grant Program	1	Not applicable

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2014.

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 *2013-2014 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
 Glendora, CA
 December 3, 2014

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements, federal or state awards for June 30, 2014.

**CALIFORNIA MONTESSORI PROJECT
SHINGLE SPRINGS CAMPUS**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

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