

CALIFORNIA MONTESSORI PROJECT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

OPERATING:

**California Montessori Project – San Juan
Charter School Number: 0776**

**California Montessori Project – Capitol
Charter School Number: 0775**

**California Montessori Project – Elk Grove
Charter School Number: 0777**

**California Montessori Project – Shingle Springs
Charter School Number: 0774**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Montessori Project
Carmichael, California

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schools as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023 the School adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schools' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Schools' financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying supplementary schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and, except for the portion marked "unaudited," 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. The Local Education Agency Organization Structure, which is marked "unaudited", has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2023 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 solely 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 effectiveness on the Schools' 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.

CliftonLarsonAllen LLP

Glendora, California
December 5, 2023

**CALIFORNIA MONTESSORI PROJECT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash on Hand and in Banks	\$ 7,871,830
Accounts Receivable	371,934
Accounts Receivable - Federal and State Governments	9,689,428
Deposits and Prepaid Assets	668,432
Total Current Assets	18,601,624

LONG-TERM ASSETS

Property, Plant, and Equipment, Net	17,732,800
Operating Right-of-Use Asset	11,210,340
Financing Right-of-Use Asset	75,546
Total Long-Term Assets	29,018,686

Total Assets	\$ 47,620,310
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 4,933,187
Deferred Revenue	2,299,130
Notes Payable, Current Portion	313,984
Current Lease Liability - Operating	966,285
Current Lease Liability - Financing	16,015
Total Current Liabilities	8,528,601

NONCURRENT LIABILITIES

Notes Payable, Net of Current Portion	7,071,381
Long-Term Lease Liability - Operating	10,391,882
Long-Term Lease Liability - Financing	60,132
Total Noncurrent Liabilities	17,523,395

NET ASSETS

Without Donor Restrictions - Capital Assets, Net of Related Debt	10,347,435
Without Donor Restrictions	11,048,912
Total Net Assets Without Donor Restrictions	21,396,347
With Donor Restrictions	171,967
Total Net Assets	21,568,314

Total Liabilities and Net Assets	\$ 47,620,310
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See accompanying Notes to Financial Statements.

**CALIFORNIA MONTESSORI PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Revenue from State Sources:			
State Aid	\$ 20,202,074	\$ -	\$ 20,202,074
Other State Revenue	6,468,980	-	6,468,980
Total Revenue from State Sources	26,671,054	-	26,671,054
Revenue from Federal Sources	1,334,635	-	1,334,635
Revenue from Local Sources:			
In-Lieu Property Tax	6,899,198	-	6,899,198
Contributions	2,048,943	-	2,048,943
Other Local Revenue	194,019	-	194,019
Investment Income	3,672	-	3,672
Total Revenue from Local Sources	9,145,832	-	9,145,832
Total Revenues	37,151,521	-	37,151,521
EXPENSES			
Program Services	31,619,757	-	31,619,757
Management and General	3,829,638	-	3,829,638
Total Expenses	35,449,395	-	35,449,395
CHANGE IN NET ASSETS	1,702,126	-	1,702,126
Net Assets - Beginning of Year	19,694,221	171,967	19,866,188
NET ASSETS - END OF YEAR	\$ 21,396,347	\$ 171,967	\$ 21,568,314

See accompanying Notes to Financial Statements.

**CALIFORNIA MONTESSORI PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,702,126
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	966,029
(Increase) Decrease in Assets:	
Accounts Receivable	(371,331)
Accounts Receivable - Federal and State Governments	(1,381,183)
Deposits and Prepaid Expenses	(325,768)
Operating Right-of-Use Asset	(11,210,340)
Increase (Decrease) in Liabilities:	
Accounts Payable	3,491,661
Amounts Held for Others	1,004,065
Operating Lease Liability	11,358,167
Net Cash Provided by Operating Activities	<u>5,233,426</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property, Plant, and Equipment	(126,289)
Net Cash Used by Investing Activities	<u>(126,289)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Notes Payable	(308,883)
Payments on Finance Leases	(7,793)
Net Cash Used by Financing Activities	<u>(316,676)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

4,790,461

Cash and Cash Equivalents - Beginning of Year

3,081,369

CASH AND CASH EQUIVALENTS- END OF YEAR

\$ 7,871,830

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	\$ <u>141,863</u>
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See accompanying Notes to Financial Statements.

**CALIFORNIA MONTESSORI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 20,540,057	\$ 812,806	\$ 21,352,863
Pension Expense	2,274,198	69,844	2,344,042
Other Employee Benefits	1,377,286	34,578	1,411,864
Payroll Taxes	900,378	6,607	906,985
Legal Expenses	35,430	169,180	204,610
Accounting Expenses	-	52,365	52,365
Instructional Materials	884,790	-	884,790
Other Fees for Services	1,359,260	599,726	1,958,986
Advertising and Promotion Expenses	-	11,713	11,713
Office Expenses	890,229	67,265	957,494
Occupancy Expenses	1,912,402	1,086,282	2,998,684
Travel Expenses	91,746	11,803	103,549
Conference and Meeting Expenses	465,008	-	465,008
Interest Expense	-	141,863	141,863
Depreciation Expense	718,228	239,407	957,635
Insurance Expense	-	81,631	81,631
Other Expenses	170,745	444,568	615,313
	<u>\$ 31,619,757</u>	<u>\$ 3,829,638</u>	<u>\$ 35,449,395</u>
Total Functional Expenses	<u>\$ 31,619,757</u>	<u>\$ 3,829,638</u>	<u>\$ 35,449,395</u>

See accompanying Notes to Financial Statements.

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

California Montessori Project (the Schools), a California nonprofit public benefit corporation, mission is to provide a quality, tuition-free Montessori education that challenges our students to reach their full potential. 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 City Unified School District
Elk Grove Campus	Elk Grove Unified School District
Shingle Springs Campus	Buckeye Union Elementary 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 one Community Representative, two Business Representatives, one Montessori Representative, one Charter Representative, four Parent Representatives, one from each charter, and up to four District Representatives.

The Districts have granted the charters through June 30, 2027 for all campuses, subject to amendment and renewal. The charters may be revoked by the Districts only for material violations of the charters, failure to meet student outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

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

Basis of Accounting

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

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United State of Americas as prescribed by the Financial Accounting Standards Board.

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.

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.

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.

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023. 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.

Revenue Recognition

Amounts received from the California Department of Education are conditional and 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 net assets without donor restriction if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

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 net assets with donor restrictions. Restricted contributions that are received and released in the same period are reported as increased in net assets without restriction. 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.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the Schools have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, the Schools have conditional grants of \$3,680,714 of which \$2,229,058 is recognized as deferred revenue in the statement of financial position.

Contributed Assets and Services

Contributions of donated noncash 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, but accrued sick leave is not paid to employees at the end of employment and therefore, is not reported as a liability on the financial statements.

Income Taxes

California Montessori Project is a nonprofit 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 is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Schools files an exempt return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Leases

The Schools lease school facilities, office space, and equipment and determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Schools' right to use an underlying asset for the lease term and lease liabilities represent the Schools' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Schools use a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Schools will exercise that option. The Schools have elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

The Schools have elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

The Schools' lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Schools consider factors such as if the Schools have obtained substantially all of the rights to the underlying asset through exclusivity, if the Schools can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Schools have elected to use a risk-free rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Schools adopted the requirements of the guidance effective July 1, 2022 and have elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available.

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Schools have elected to adopt the package of practical expedients available in the year of adoption. The Schools have elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Schools ROU assets.

The Schools elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the Schools elected the hindsight practical expedient to determine the lease term for existing leases.

As a result of the adoption of the new lease accounting guidance, the Schools recognized on July 1, 2022 a ROU asset at the carrying amount of the operating lease asset of \$12,252,713. The Schools also recognized on July 1, 2022 an operating lease liability of \$12,252,713 which represents the present value of the remaining lease payments discounted using the risk free rate at July 1, 2022.

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Evaluation of Subsequent Events

The Schools have evaluated subsequent events through December 5, 2023, the date these financial statements were available to be issued.

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2023:

Cash on Hand and in Banks	\$ 7,871,830
Accounts Receivable	10,061,362
Less: Net Assets with Donor Restrictions	(171,967)
Total	<u>\$ 17,761,225</u>

As part of the liquidity management plan, the Schools monitor liquidity required and cash flows to meet operating needs on a monthly basis. The Schools structure financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

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

NOTE 4 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 \$957,635 for the year ended June 30, 2023.

A summary of changes in property, plant, and equipment as of June 30, 2023 is as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Land	\$ 1,056,596	\$ -	\$ -	\$ 1,056,596
Building	21,591,196	-	-	21,591,196
Leasehold Improvements	1,135,121	11,285	-	1,146,406
Equipment	1,624,068	115,005	-	1,739,073
Less: Accumulated				
Depreciation	(6,842,835)	(957,636)	-	(7,800,471)
Total	<u>\$ 18,564,146</u>	<u>\$ (831,346)</u>	<u>\$ -</u>	<u>\$ 17,732,800</u>

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 NOTES PAYABLE

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% was in the form of a 30-year unsecured 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. The Elk Grove Campus project was completed in fiscal year 2013-2014. The Shingle Springs project was completed in fiscal year 2016-2017. No interest accrued prior to the completion of the project. The total amount of the awards for the Elk Grove Campus and the Shingle Springs Campus were \$4,619,828 and \$4,826,194, respectively. As of June 30, 2023, the loan balance was \$3,570,794 for the Elk Grove Campus and \$3,814,571 for the Shingle Springs Campus.

Future maturities under notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 313,984
2025	319,171
2026	324,448
2027	329,817
2028	335,277
Thereafter	<u>5,762,668</u>
Total	<u><u>\$ 7,385,365</u></u>

NOTE 6 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plan

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California.

The risks of participating in these multiemployer defined benefit pension plans are different from single employer plans because: (a) assets contributed to the multiemployer 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 multiemployer plan, they may be required to pay a withdrawal liability to the plan. The Schools have no plans to withdraw from this multiemployer plan.

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS)

Plan Description

The Schools contribute to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer 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, 2022, total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. The School did not contribute more than 5% of the total contributions to the plan.

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

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary, and those hired after are required to contribute 10.21% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

<u>Year Ending June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2021	\$ 1,839,905	100%
2022	2,004,437	100%
2023	2,344,042	100%

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 8 LEASES - ASC 842

The Schools lease equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2033.

The following table provides quantitative information concerning the Schools lease for the year ended June 30, 2023:

Lease Costs

Finance Lease Costs:

Amortization of Right-Of-Use Assets	\$ 8,417
Interest on Lease Liabilities	1,294
Operating Lease Costs	1,413,001
Total Lease Costs	\$ 1,422,712

Other Information:

Cash paid for amounts included in the	
Operating cash flows from finance leases	\$ 1,294
Operating cash flows from operating leases	\$ 1,274,241
Financing cash flows from finance leases	\$ 7,814
Right-of-use assets obtained in exchange for new finance lease liabilities:	\$ 84,167
Right-of-use assets obtained in exchange for new operating lease liabilities:	\$ 12,253,007
Weighted-average remaining lease term - finance leases	4.4 Years
Weighted-average remaining lease term - operating leases	9.6 Years
Weighted-average discount rate - finance leases	3.26%
Weighted-average discount rate - operating leases	3.24%

**CALIFORNIA MONTESSORI PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 LEASES - ASC 842 (CONTINUED)

The Schools classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Financing Leases</u>	<u>Operating Leases</u>
2024	\$ 18,216	\$ 1,316,044
2025	18,216	1,340,741
2026	18,216	1,362,209
2027	18,216	1,386,612
2028	8,901	1,411,309
Thereafter	-	6,459,828
Total Lease Payments	<u>81,765</u>	<u>13,276,743</u>
Less: Interest	<u>(5,618)</u>	<u>(1,918,576)</u>
Present Value of Lease Liabilities	<u>\$ 76,147</u>	<u>\$ 11,358,167</u>

NOTE 10 CONTINGENCIES, RISKS AND UNCERTAINTIES

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

SUPPLEMENTARY INFORMATION

Tentative - For Discussion Purposes Only, Subject to Change

**CALIFORNIA MONTESSORI PROJECT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 YEAR ENDED JUNE 30, 2023
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

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 City Unified School District
Elk Grove Campus	Elk Grove Unified School District
Shingle Springs Campus	Buckeye Union Elementary 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:

	<u>Charter Number</u>
American River Campus	0776
Carmichael Campus	0776
Orangevale Campus	0776
Capitol Campus	0775
Elk Grove Campus	0777
Shingle Springs Campus	0774

The Districts have granted the charters through June 20, 2027 for all 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 one Community Representative, two Business Representatives, one Montessori Representative, one Charter Representative, four Parent Representatives, one from each charter, and up to four District Representatives.

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)
 YEAR ENDED JUNE 30, 2023
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

The Board of Directors and the Administrators as of the year ended June 30, 2023 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires (3-Year Term)
Tracey Weinstein	Charter Representative and Board Chair	June 2023
Julia Sweeney	Business Representative	June 2024
Bob Lewis	Business Representative	June 2023
Amber Busby	Community Representative	June 2024
Mickey Slamkowski	Montessori Representative	June 2024
Gabrielle Renee Dall	San Juan Parent Representative	June 2024
Marwa Helmy	Capitol Parent Representative	June 2023
Ricardo Reyes	Elk Grove Parent Representative	June 2025
Jodi Mottashed	Shingle Springs Parent Representative	June 2023

ADMINISTRATORS

Brett Barley	President
Carrie Klagenberg	Governing Board Secretary

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
San Juan:				
Grades TK/K-3	735.95	736.47	736.44	736.87
Grades 4-6	405.70	405.86	406.07	406.20
Grades 7-8	168.45	168.63	168.70	168.85
Total	1,310.10	1,310.96	1,311.21	1,311.92
Capitol:				
Grades TK/K-3	179.89	179.99	180.81	180.89
Grades 4-6	109.55	109.83	110.31	110.54
Grades 7-8	36.16	36.25	36.10	36.17
Total	325.60	326.07	327.22	327.60
Elk Grove:				
Grades TK/K-3	265.98	266.55	265.81	266.27
Grades 4-6	163.18	163.26	163.62	163.69
Grades 7-8	62.29	62.39	62.43	62.51
Total	491.45	492.20	491.86	492.47
Shingle Springs:				
Grades TK/K-3	241.07	241.07	241.66	241.66
Grades 4-6	143.20	143.20	143.86	143.86
Grades 7-8	88.76	88.76	88.77	88.77
Total	473.03	473.03	474.29	474.29
ADA Totals	2,600.18	2,602.26	2,604.58	2,606.28

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023**

	Requirement	Actual	Traditional Calendar Days	Status
San Juan:				
Transitional Kindergarten	36,000	46,080	179	In Compliance
Kindergarten	36,000	46,080	179	In Compliance
Grade 1	50,400	55,695	179	In Compliance
Grade 2	50,400	55,695	179	In Compliance
Grade 3	50,400	55,695	179	In Compliance
Grade 4	54,000	55,695	179	In Compliance
Grade 5	54,000	55,695	179	In Compliance
Grade 6	54,000	55,695	179	In Compliance
Grade 7	54,000	59,025	179	In Compliance
Grade 8	54,000	59,025	179	In Compliance
Capitol:				
Transitional Kindergarten	36,000	51,375	179	In Compliance
Kindergarten	36,000	51,375	179	In Compliance
Grade 1	50,400	56,025	179	In Compliance
Grade 2	50,400	56,025	179	In Compliance
Grade 3	50,400	56,025	179	In Compliance
Grade 4	54,000	56,025	179	In Compliance
Grade 5	54,000	56,025	179	In Compliance
Grade 6	54,000	56,025	179	In Compliance
Grade 7	54,000	61,050	179	In Compliance
Grade 8	54,000	61,050	179	In Compliance
Elk Grove:				
Transitional Kindergarten	36,000	46,455	179	In Compliance
Kindergarten	36,000	46,455	179	In Compliance
Grade 1	50,400	55,695	179	In Compliance
Grade 2	50,400	55,695	179	In Compliance
Grade 3	50,400	55,695	179	In Compliance
Grade 4	54,000	55,695	179	In Compliance
Grade 5	54,000	55,695	179	In Compliance
Grade 6	54,000	55,695	179	In Compliance
Grade 7	54,000	59,025	179	In Compliance
Grade 8	54,000	59,025	179	In Compliance
Shingle Springs:				
Transitional Kindergarten	36,000	46,725	180	In Compliance
Kindergarten	36,000	46,725	180	In Compliance
Grade 1	50,400	56,025	180	In Compliance
Grade 2	50,400	58,350	180	In Compliance
Grade 3	50,400	58,350	180	In Compliance
Grade 4	54,000	58,350	180	In Compliance
Grade 5	54,000	58,350	180	In Compliance
Grade 6	54,000	58,350	180	In Compliance
Grade 7	54,000	59,375	180	In Compliance
Grade 8	54,000	59,375	180	In Compliance

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>
June 30, 2023 Annual Financial Report Net Assets	\$ 7,028,246	\$ 837,316	\$ 6,902,446	\$ 6,802,347
Adjustments and Reclassifications:				
Increase (Decrease) in Net Assets				
Cash on Hand and in Banks	(100,000)	-	-	-
Accounts Receivable	100,000	230,946	-	-
Property, Plant, and Equipment, Net	(1)	-	-	-
ROU Asset	(1,228,181)	-	-	-
Lease Liability	1,331,064	-	-	-
Accounts Payable	(20,918)	-	-	-
Intracompany Payable	-	(332,929)	-	-
Notes Payable	-	101,984	-	-
Net Adjustments and Reclassifications	<u>81,964</u>	<u>1</u>	<u>-</u>	<u>-</u>
June 30, 2023 Audited Financial Statement Net Assets	<u>\$ 7,110,210</u>	<u>\$ 837,317</u>	<u>\$ 6,902,446</u>	<u>\$ 6,802,347</u>

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Additional Award Information	Pass-Through Entity Identifying Number	Total
U.S. Department of Education				
Pass-Through Program from California Department of Education:				
Every Student Succeeds Act Title I, Part A, Basic Grants:				
Low-Income and Neglected	84.010		14329	\$ 205,963
Title II, Part A, Teacher Quality	84.367		14341	46,814
Title IV Part A Student Support and Academic	84.424		15396	40,000
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	COVID-19	15547	273,967
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	COVID-19	15559	94,114
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>368,081</u>
Special Education Cluster:				
Special Education - IDEA Basic Local Assistance	84.027		13379	673,777
Special Education Cluster Subtotal				<u>673,777</u>
Total U.S. Department of Education				<u>1,334,635</u>
 Total Federal Expenditures				 <u><u>\$ 1,334,635</u></u>

See accompanying Notes to Supplementary Information.

CALIFORNIA MONTESSORI PROJECT
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin.	Eliminations	Total
CURRENT ASSETS							
Cash on Hand and in Banks	\$ 4,263,891	\$ 100,393	\$ 2,018,985	\$ 1,479,593	\$ 8,968	\$ -	\$ 7,871,830
Accounts Receivable	178,270	72,859	15,056	94,833	10,916	-	371,934
Federal and State Governments	5,091,015	1,420,956	1,620,838	1,556,619	-	-	9,689,428
Intracompany Receivable	239,476	-	-	-	332,929	(572,405)	-
Deposits and Prepaid Assets	336,471	37,635	84,908	57,396	152,022	-	668,432
Total Current Assets	<u>10,109,123</u>	<u>1,631,843</u>	<u>3,739,787</u>	<u>3,188,441</u>	<u>504,835</u>	<u>(572,405)</u>	<u>18,601,624</u>
NONCURRENT ASSETS							
Property, Plant, and Equipment, Net	622,436	261,774	8,147,489	8,553,095	148,006	-	17,732,800
Operating Right-of-Use Asset	8,178,481	-	988,942	-	2,042,917	-	11,210,340
Financing Right-of-Use Asset	52,404	-	23,142	-	-	-	75,546
Total Noncurrent Assets	<u>8,853,321</u>	<u>261,774</u>	<u>9,159,573</u>	<u>8,553,095</u>	<u>2,190,923</u>	<u>-</u>	<u>29,018,686</u>
Total Assets	<u>\$ 18,962,444</u>	<u>\$ 1,893,617</u>	<u>\$ 12,899,360</u>	<u>\$ 11,741,536</u>	<u>\$ 2,695,758</u>	<u>\$ (572,405)</u>	<u>\$ 47,620,310</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ 2,234,491	\$ 470,712	\$ 929,123	\$ 828,205	\$ 470,656	\$ -	\$ 4,933,187
Intracompany Payable	-	332,929	-	-	239,476	(572,405)	-
Deferred Revenue	1,279,584	252,659	470,474	296,413	-	-	2,299,130
Notes Payable, Current Portion	-	-	144,757	169,227	-	-	313,984
Current Lease Liability - Operating	622,534	-	188,955	-	154,796	-	966,285
Current Lease Liability - Financing	11,109	-	4,906	-	-	-	16,015
Total Current Liabilities	<u>4,147,718</u>	<u>1,056,300</u>	<u>1,738,215</u>	<u>1,293,845</u>	<u>864,928</u>	<u>(572,405)</u>	<u>8,528,601</u>
NONCURRENT LIABILITIES							
Notes Payable, Net of Current Portion	-	-	3,426,037	3,645,344	-	-	7,071,381
Long-Term Lease Liability - Operating	7,662,804	-	814,242	-	1,914,836	-	10,391,882
Long-Term Lease Liability - Financing	41,712	-	18,420	-	-	-	60,132
Total Noncurrent Liabilities	<u>7,704,516</u>	<u>-</u>	<u>4,258,699</u>	<u>3,645,344</u>	<u>1,914,836</u>	<u>-</u>	<u>17,523,395</u>
NET ASSETS							
Without Donor Restriction - Capital Assets, Net of Related Debt	622,436	261,774	4,576,695	4,738,524	148,006	-	10,347,435
Without Donor Restriction	6,337,579	553,771	2,325,751	2,063,823	(232,012)	-	11,048,912
With Donor Restriction	150,195	21,772	-	-	-	-	171,967
Total Net Assets	<u>7,110,210</u>	<u>837,317</u>	<u>6,902,446</u>	<u>6,802,347</u>	<u>(84,006)</u>	<u>-</u>	<u>21,568,314</u>
Total Liabilities and Net Assets	<u>\$ 18,962,444</u>	<u>\$ 1,893,617</u>	<u>\$ 12,899,360</u>	<u>\$ 11,741,536</u>	<u>\$ 2,695,758</u>	<u>\$ (572,405)</u>	<u>\$ 47,620,310</u>

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin.	Eliminations	Total
REVENUES WITHOUT DONOR RESTRICTIONS							
Revenue from State Sources:							
State Aid	\$ 10,012,088	\$ 2,504,674	\$ 3,873,973	\$ 3,811,339	\$ -	\$ -	\$ 20,202,074
Other State Revenue	3,421,906	830,549	1,183,321	1,033,204	-	-	6,468,980
Total Revenue from State Sources	<u>13,433,994</u>	<u>3,335,223</u>	<u>5,057,294</u>	<u>4,844,543</u>	-	-	<u>26,671,054</u>
Revenue from Federal Sources	697,813	169,127	221,153	246,542	-	-	1,334,635
Revenue from Local Sources:							
In-Lieu Property Tax	3,730,730	886,072	1,232,085	1,050,311	-	-	6,899,198
Contributions	1,080,439	333,355	366,325	268,824	-	-	2,048,943
Other Local Revenue	121,210	1,283	43,217	24,290	4,959,454	(4,955,435)	194,019
Investment Income	-	3,672	-	-	-	-	3,672
Total Revenue from Local Sources	<u>4,932,379</u>	<u>1,224,382</u>	<u>1,641,627</u>	<u>1,343,425</u>	<u>4,959,454</u>	<u>(4,955,435)</u>	<u>9,145,832</u>
Total Revenues Without Donor Restrictions	19,064,186	4,728,732	6,920,074	6,434,510	4,959,454	(4,955,435)	37,151,521
EXPENSES							
Program Services	13,945,152	3,630,618	5,094,065	5,001,056	3,948,866	-	31,619,757
Management and General	3,775,592	1,010,975	1,593,604	1,394,311	1,010,591	(4,955,435)	3,829,638
Total Expenses	<u>17,720,744</u>	<u>4,641,593</u>	<u>6,687,669</u>	<u>6,395,367</u>	<u>4,959,457</u>	<u>(4,955,435)</u>	<u>35,449,395</u>
CHANGE IN NET ASSETS	1,343,442	87,139	232,405	39,143	(3)	-	1,702,126
Net Assets - Beginning of Year	<u>5,766,768</u>	<u>750,178</u>	<u>6,670,041</u>	<u>6,763,204</u>	<u>(84,003)</u>	<u>-</u>	<u>19,866,188</u>
NET ASSETS - END OF YEAR	<u>\$ 7,110,210</u>	<u>\$ 837,317</u>	<u>\$ 6,902,446</u>	<u>\$ 6,802,347</u>	<u>\$ (84,006)</u>	<u>\$ -</u>	<u>\$ 21,568,314</u>

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets	\$ 1,343,442	\$ 87,139	\$ 232,405	\$ 39,143	\$ (3)	\$ -	\$ 1,702,126
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:							
Depreciation and Amortization	93,841	31,074	389,108	397,654	54,352	-	966,029
(Increase) Decrease in Operating Assets:							
Accounts Receivable	(178,270)	(72,859)	(15,056)	(94,833)	(10,313)	-	(371,331)
Accounts Receivable - Federal and State Governments	(981,907)	(182,959)	252,029	(468,346)	-	-	(1,381,183)
Intracompany Receivable	960,638	-	-	-	255,313	(1,215,951)	-
Deposits and Prepaid Expenses	(223,033)	(29,802)	(57,719)	(45,306)	30,092	-	(325,768)
Operating Right-of-Use Asset	(8,178,481)	-	(988,942)	-	(2,042,917)	-	(11,210,340)
Increase (Decrease) in Operating Liabilities:							
Accounts Payable	1,646,361	340,889	700,074	680,970	123,367	-	3,491,661
Intracompany Payable	-	(255,313)	-	-	(960,638)	1,215,951	-
Deferred Revenue	534,226	132,222	194,086	143,531	-	-	1,004,065
Operating Lease Liability	8,285,338	-	1,003,197	-	2,069,632	-	11,358,167
Net Cash Provided (Used) by Operating Activities	<u>3,302,155</u>	<u>50,391</u>	<u>1,709,182</u>	<u>652,813</u>	<u>(481,115)</u>	<u>-</u>	<u>5,233,426</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of Property, Plant, and Equipment	(11,285)	-	(105,143)	(9,861)	-	-	(126,289)
Net Cash Used by Investing Activities	<u>(11,285)</u>	<u>-</u>	<u>(105,143)</u>	<u>(9,861)</u>	<u>-</u>	<u>-</u>	<u>(126,289)</u>
CASH FLOWS FROM FINANCING ACTIVITIES							
Repayment of Notes Payable	-	-	(141,894)	(166,989)	-	-	(308,883)
Payments on Finance Leases	(5,406)	-	(2,387)	-	-	-	(7,793)
Net Cash Used by Financing Activities	<u>(5,406)</u>	<u>-</u>	<u>(144,281)</u>	<u>(166,989)</u>	<u>-</u>	<u>-</u>	<u>(316,676)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,285,464	50,391	1,459,758	475,963	(481,115)	-	4,790,461
Cash and Cash Equivalents - Beginning of Year	978,427	50,002	559,227	1,003,630	490,083	-	3,081,369
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,263,891</u>	<u>\$ 100,393</u>	<u>\$ 2,018,985</u>	<u>\$ 1,479,593</u>	<u>\$ 8,968</u>	<u>\$ -</u>	<u>\$ 7,871,830</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Interest Paid During the Fiscal Year	<u>\$ 912</u>	<u>\$ -</u>	<u>\$ 73,619</u>	<u>\$ 67,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,863</u>

See accompanying Notes to Supplementary Information.

**CALIFORNIA MONTESSORI PROJECT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of 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.

NOTE 2 SCHEDULE OF INSTRUCTIONAL TIME

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

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

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

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Schools under programs of the federal governmental for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Schools.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Schools have elected to use a rate other than the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

NOTE 5 COMBINING FINANCIAL STATEMENTS

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

**INDEPENDENT AUDITORS' 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, California

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, 2023, 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 5, 2023.

Report on 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) as a basis for designing 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 entity's 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

Glendora, California
December 5, 2023

Tentative - For Discussion Purposes Only - Subject to Change

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
California Montessori Project
Carmichael, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of California Montessori Project (the Schools) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023. The Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of California Montessori Project and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of California Montessori Project's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to California Montessori Project's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
December 5, 2023

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE

Board of Directors
California Montessori Project
Carmichael, California

Report on Compliance

Opinion on State Compliance

We have audited California Montessori Project's (the School) compliance with the types of compliance requirements applicable to the Schools described in the *2022-2023 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, 2023. The School's applicable State compliance requirements are identified in the table below.

In our opinion, the Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the School for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's state programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable ¹
After/Before School Education and Safety Program	Not Applicable ²
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable ³
Immunizations	Not Applicable ⁴
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable ⁵
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ⁶
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable ⁷
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable ⁸

Not Applicable¹: The Schools did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable²: The Schools did not operate an after or before school program component of this grant.

Not Applicable³: The Schools did not report ADA pursuant to Education Code section 51749.5.

Not Applicable⁴: The Schools did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁵: The Schools did not have any expenditures for ELO-G in the year under audit.

Not Applicable⁶: The Schools did not receive a CTEIG allocation for the audit year.

Not Applicable⁷: The Schools did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Not Applicable⁸: The Schools did not receive Charter School Facility Grant Program funding for the year under audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
December 5, 2023

**CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

84.027

Name of Federal Program or Cluster

Special Education – IDEA Basic Local Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
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

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**CALIFORNIA MONTESSORI PROJECT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

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

Tentative - For Discussion Purposes Only, Subject to Change