

CALIFORNIA MONTESSORI PROJECT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE

June 30, 2010



CALIFORNIA MONTESSORI PROJECT

ANNUAL FINANCIAL REPORT

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Governing Board
California Montessori Project
4718 Engle Road
Carmichael, CA 95608

We have audited the accompanying statement of financial position of California Montessori Project (the Organization), a California non-profit corporation, as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of California Montessori Project as of June 30, 2010, and the changes in its net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010 on our consideration of the California Montessori Project'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* and should be considered in assessing the results of our audit.

Governing Board
California Montessori Project

The accompanying schedule of expenditures of federal awards on page 22 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The supplementary schedules on pages 16-21 are presented for the purposes of additional analysis. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relate 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 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.


VICENTI, LLOYD & STUTZMAN LLP

December 7, 2010

CALIFORNIA MONTESSORI PROJECT
STATEMENT OF FINANCIAL POSITION
June 30, 2010

Assets

Current assets	
Cash in County Treasury	\$ 1,831,907
Cash on hand and in banks	246,777
Cash in revolving fund	10,250
Accounts receivable:	
Federal and state governments	2,965,785
Other	2,043
Deposits and prepaid assets	<u>101,021</u>
Total current assets	5,157,783
Non-current assets	
Property, plant and equipment, net	<u>1,540,181</u>
Total assets	<u>\$ 6,697,964</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 601,289
Compensated absences	354,866
Amount held for others	205,721
Current installments of long-term liabilities:	
Notes payable, current portion	52,062
Capital lease obligations, current portion	<u>26,879</u>
Total current liabilities	<u>1,240,817</u>
Non-current liabilities	
Notes payable, net of current portion	779,508
Capital lease obligations, net of current portion	<u>1,112</u>
Total non-current liabilities	<u>780,620</u>
Net assets	
Unrestricted - capital assets, net of related debt	680,620
Unrestricted	<u>3,995,907</u>
Total net assets	<u>4,676,527</u>
Total liabilities and net assets	<u>\$ 6,697,964</u>

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

CALIFORNIA MONTESSORI PROJECT

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Revenues

Revenue from state sources:	
State aid portion of general purpose block grant	\$ 4,539,856
Class size reduction	897,208
Lottery	181,147
Other state revenue	<u>760,953</u>
Total revenue from state sources	6,379,164
Revenue from federal sources	334,799
Revenue from local sources:	
In-lieu property tax	2,461,796
Interest	53,610
Other local revenue	<u>1,336,548</u>
Total revenue from local sources	<u>3,851,954</u>
Total unrestricted revenues	<u>10,565,917</u>

Expenses

Program services:	
Instruction	6,879,114
Instruction-related services	1,182,036
Pupil services	335,539
Support services:	
General administration	981,071
Plant services	1,684,741
Interest	72,540
Depreciation	<u>108,681</u>
Total expenses	<u>11,243,722</u>
Change in unrestricted net assets	(677,805)
Unrestricted net assets - beginning of year	<u>5,354,332</u>
Unrestricted net assets - end of year	<u>\$ 4,676,527</u>

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

CALIFORNIA MONTESSORI PROJECT

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (677,805)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	108,681
Write-off of work in progress	260,830
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	(610,677)
Accounts receivable - Other	42,876
Deposits and prepaid expenses	(21,880)
Increase (decrease) in operating liabilities:	
Accounts payable	161,741
Compensated absences	54,053
Amounts held for others	25,980
Net cash used by operating activities	<u>(656,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property, plant, and equipment	<u>(25,650)</u>
Net cash used by investing activities	<u>(25,650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of capital lease obligations	(64,881)
Repayment of notes payable	<u>(45,524)</u>
Net cash used by financing activities	<u>(110,405)</u>
Net decrease in cash and cash equivalents	(792,256)
Cash and cash equivalents at the beginning of the year	<u>2,881,190</u>
Cash and cash equivalents at the end of the year	<u>\$ 2,088,934</u>
Interest paid during the fiscal year	<u>\$ 72,540</u>

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

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The California Montessori Project, A California Charter School, Inc. (the Schools) was formed to provide a Montessori based educational program to every child in the State of California. The Schools were originally granted one charter in 2000 by the Wheatland School District with five (5) 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
Capitol Campus	Sacramento Unified School District
Elk Grove Campus	Elk Grove Unified School District
Shingle Springs Campus	Buckeye Unified School District

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

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

The Districts have granted the charters through June 30, 2014 for Shingle Springs and through June 30, 2011 for the other campuses, subject to amendment and renewal. The charters may be revoked by the Districts only for material violations of the charters, failure to meet student outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

The Schools also have a memorandum of understanding with the Wheatland Elementary School District, whereby the Schools pays 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.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 States as prescribed by the Financial Accounting Standards Board (FASB). The Schools are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of the Schools consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Schools.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Schools do not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The Schools do not currently have any permanently restricted net assets.

Basis of Accounting

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

Cash and Cash Equivalents

The Schools' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Revenue Recognition

Amounts received from the California Department of Education are recognized as revenue by the Schools based on the 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.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor as required financial accounting standards. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

Contributed Services

Generally accepted accounting principles require that 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 to be recorded at fair value in the period received. Although the Schools receive numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the Schools based on the above guidelines. In addition, the Schools receive donations of immaterial equipment and supplies which are not recorded upon receipt.

Capital Assets

Property, plant, and equipment are capitalized at cost (or estimated historical cost) if purchased or at estimated fair market value as of the date received if donated. The Schools capitalize expenditures for property, plant, and equipment in excess of \$10,000. Plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Tenant Improvements	7 years

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Schools. The current portion of the liability, if material, is recognized in general fund at year-end. The entire compensated absences liability is reported on the statement of financial position.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Compensated Absences (continued)

Employees of the Schools are paid for days or hours worked based upon Board approved schedules which include vacation. There was not a material amount of unused vacation time at June 30, 2010. 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.

State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for revenue limits and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on September 1 and are payable in two installments on or before December 10 and April 10. 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.

Subsequent Events

All events subsequent to the balance sheet date of June 30, 2010, through December 7, 2010, which is the date these financial statements were available to be issued, have been evaluated in accordance with financial accounting standards. There were no subsequent events requiring recognition or disclosure as of June 30, 2010.

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 evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Schools' continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes (continued)

Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Schools file informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Schools are no longer subject to U.S. federal, state, and local examinations by tax authorities for years before 2005.

NOTE 2 - DEPOSITS:

Concentration of Credit Risk

The Schools 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, 2010 there were no deposits in excess of the FDIC limit.

Cash in County

In accordance with Education Code Section 41001, the Schools maintains substantially all of its cash in the County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the Schools' deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was approximately \$1,831,907.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 - OPERATING LEASES:

The Schools entered into various operating leases for facilities and equipment, with lease terms in excess of one year. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the Schools will cancel any of the agreements prior to the expiration date. Current lease expense for the year under these agreements was \$722,342.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - OPERATING LEASES: (continued)

Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2011	\$ 732,449
2012	<u>140,911</u>
Total	<u>\$ 873,360</u>

NOTE 4 - LONG-TERM DEBT:

Notes Payable

The Shingle Springs Campus has an unsecured loan agreement with Gardner Partnership in the amount of \$245,000. Deanna Gardner is a partner of the Gardner Partnership and she is also the principal of American River, one of California Montessori Project's sites. The loan bears interest of 8% per annum. The loan is to be paid back as follows: The first year is for interest only with monthly payment of \$1,633. Years 2 to 7 are for principal and interest with monthly payments of \$4,296. The note matures in January 2013.

The Shingle Springs Campus has a loan agreement with Western Sierra National Bank in the amount of \$750,000. The loan bears an initial interest rate of 7% per annum and requires 38 monthly principal and interest payment in the amount of \$4,991. The note then requires 83 additional monthly payments of approximately \$5,283 at an interest rate of 7.61%. The note matures in December 2015.

Future maturities for the notes payable are as follows:

Year Ended <u>June 30</u>	<u>Total</u>
2011	\$ 52,062
2012	56,349
2013	34,226
2014	10,131
2015	10,930
Thereafter	<u>667,872</u>
Total	<u>\$831,570</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - LONG-TERM DEBT: (continued)

Capital Leases

The Shingle Springs Campus and equipment valued at \$183,992 under agreements that provide for title to pass upon expiration of the lease period. Depreciation expense reported in the Statement of Activities includes \$18,169 for the equipment under the capital leases. Future minimum lease payments are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2011	\$27,975
2012	<u>1,122</u>
Total lease payments	29,097
Less amount representing interest	<u>(1,106)</u>
Present value of net minimum lease payments	<u>\$27,991</u>

NOTE 5 - EMPLOYEE RETIREMENT PLAN:

Qualified employees are covered under multiple-employer defined benefit pension plan maintained by the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

State Teachers' Retirement System (STRS)

Plan Description

The Schools contribute to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Schools are required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-10 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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 - EMPLOYEE RETIREMENT PLAN: (continued)

Contributions to STRS

The Schools' contributions to STRS for each of the last three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2008	\$303,693	100%
2009	\$328,065	100%
2010	\$347,605	100%

NOTE 6 - CONTINGENCIES:

State Allowances, Award, and Grants

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

Other Contingency

As of June 30, 2010, the Capitol Campus was in negotiations with a former landlord to settle a dispute. On October 18, 2010, the School reached a settlement in exchange for a payment of \$25,000 to the landlord.

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT:

As of June 30, 2010 the cost and accumulated depreciation of property, plant and equipment was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Building	\$ 1,633,383	\$ 25,650	\$ -	\$ 1,659,033
Building improvements	427,955	-	-	427,955
Work in progress	<u>260,830</u>	<u>-</u>	<u>260,830</u>	<u>-</u>
Totals at historical cost	2,322,168	25,650	260,830	2,086,988
Less accumulated depreciation for:				
Building	301,247	72,933	-	374,180
Building improvements	<u>136,879</u>	<u>35,748</u>	<u>-</u>	<u>172,627</u>
Total accumulated depreciation	<u>438,126</u>	<u>108,681</u>	<u>-</u>	<u>546,807</u>
Property, plant and equipment, net	<u>\$ 1,884,042</u>	<u>\$ (83,031)</u>	<u>\$ (260,830)</u>	<u>\$ 1,540,181</u>

SUPPLEMENTARY INFORMATION SECTION

CALIFORNIA MONTESSORI PROJECT

HISTORY AND ORGANIZATION

June 30, 2010

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 five school sites covering kindergarten through eighth grade. The Schools were originally granted a charter in 2000 by the Wheatland School District with five (5) 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
Capitol Campus	Sacramento Unified School District
Elk Grove Campus	Elk Grove Unified School District
Shingle Springs Campus	Buckeye Unified School District

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

The charter number for each campus is as follows:

American River Campus	Charter number: 776
Carmichael Campus	Charter number: 776
Capitol Campus	Charter number: 775
Elk Grove Campus	Charter number: 777
Shingle Springs Campus	Charter number: 774

The Districts have granted the charters through June 20, 2014 for Shingle Springs and through June 30, 2011 for all the other campuses, subject to amendment and renewal. The charters may be revoked by the Districts only for material violations of the charters, failure to meet student outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

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

CALIFORNIA MONTESSORI PROJECT

**HISTORY AND ORGANIZATION
(continued)**

June 30, 2010

The Governing Board and Administrators for the fiscal year ending June 30, 2010 were as follows:

GOVERNING BOARD

<u>MEMBERS</u>	<u>OFFICE</u>	<u>TERM</u>
Erin Auernig	Vice Chairman/Montessori Representative	2012
Stephanie Garrettson	Secretary	2010
Paula Tarpenning	District Representative – San Juan USD/Non-voting	2010
Christy Moustris	District Representative – Elk Grove USD/Non-voting	2010
Patty Hagemeyer	District Representative – Sacramento City USD	2010
Michelle Rutz	Teacher Representative – Shingle Springs	2012
Deb Williams	Teacher Representative – American River	2012
Maria Ostendorf	Teacher Representative – Capitol	2012
Jenny Savakus	Community Representative	2012
Jayna Gaskell	Charter School Representative	2012
Natasha Vidic	Parent Representative – Carmichael	2011
Raquel Leuze	Parent Representative – American River	2011
Tom Cerussi	Parent Representative – Elk Grove	2011
Dave Nelson	Parent Representative – Shingle Springs	2011
Temperance Harkins	Parent Representative – Capitol	2011

ADMINISTRATION

Gary Bowman Executive Director

CALIFORNIA MONTESSORI PROJECT

**SUPPLEMENTAL COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2010**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>							
Current assets							
Cash in County Treasury	\$ 817,741	\$ 76,678	\$ 565,069	\$ -	\$ 372,419	\$ -	\$ 1,831,907
Cash on hand and in banks	73,721	31,712	28,206	113,138			246,777
Cash in revolving fund					10,250		10,250
Accounts receivable:							
Federal and state governments	959,492	375,389	402,090	1,228,814			2,965,785
Intracompany receivable			256,471		45,873	(302,344)	-
Other					2,043		2,043
Deposits and prepaid assets	59,495	9,430	32,096				101,021
Total current assets	<u>1,910,449</u>	<u>493,209</u>	<u>1,283,932</u>	<u>1,341,952</u>	<u>430,585</u>	<u>(302,344)</u>	<u>5,157,783</u>
Non-current assets							
Property, plant and equipment, net	34,020	41,618	248,367	1,216,176			1,540,181
Total assets	<u>\$ 1,944,469</u>	<u>\$ 534,827</u>	<u>\$ 1,532,299</u>	<u>\$ 2,558,128</u>	<u>\$ 430,585</u>	<u>\$ (302,344)</u>	<u>\$ 6,697,964</u>
<u>Liabilities and Net Assets</u>							
Current liabilities							
Accounts payable	\$ 91,968	\$ 60,384	\$ 131,815	\$ 34,043	\$ 283,079	\$ -	\$ 601,289
Intracompany payable				302,344		(302,344)	-
Compensated absences	132,956	38,408	66,172	117,330			354,866
Amounts held for others	50,780	25,945	21,500	107,496			205,721
Notes payable, current portion				52,062			52,062
Capital lease obligations, current portion				26,879			26,879
Total current liabilities	<u>275,704</u>	<u>124,737</u>	<u>219,487</u>	<u>640,154</u>	<u>283,079</u>	<u>(302,344)</u>	<u>1,240,817</u>
Non-current liabilities							
Notes payable, net of current portion				779,508			779,508
Capital lease obligations, net of current portion				1,112			1,112
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,620</u>	<u>-</u>	<u>-</u>	<u>780,620</u>
Net assets							
Invested in capital assets, net of related debt	34,020	41,618	248,367	356,615			680,620
Unrestricted	1,634,745	368,472	1,064,445	780,739	147,506		3,995,907
Total net assets	<u>1,668,765</u>	<u>410,090</u>	<u>1,312,812</u>	<u>1,137,354</u>	<u>147,506</u>	<u>-</u>	<u>4,676,527</u>
Total liabilities and net assets	<u>\$ 1,944,469</u>	<u>\$ 534,827</u>	<u>\$ 1,532,299</u>	<u>\$ 2,558,128</u>	<u>\$ 430,585</u>	<u>\$ (302,344)</u>	<u>\$ 6,697,964</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**SUPPLEMENTAL COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Eliminations</u>	<u>Total</u>
Revenues							
Revenue from state sources:							
State aid portion of general purpose block grant	\$ 2,066,059	\$ 642,885	\$ 997,620	\$ 833,292	\$ -	\$ -	\$ 4,539,856
Class size reduction	404,838	142,443	184,993	164,934			897,208
Lottery	82,974	23,324	34,753	40,096			181,147
Other state revenue	<u>349,709</u>	<u>98,963</u>	<u>151,487</u>	<u>160,794</u>			<u>760,953</u>
Total revenue from state sources	<u>2,903,580</u>	<u>907,615</u>	<u>1,368,853</u>	<u>1,199,116</u>	-	-	<u>6,379,164</u>
Revenue from federal sources	168,816	44,702	57,359	63,922			334,799
Revenue from local sources:							
In-lieu property tax	1,134,339	262,958	345,625	718,874			2,461,796
Interest	24,105	6,776	10,096	12,633			53,610
Other local revenue	<u>407,420</u>	<u>302,262</u>	<u>310,762</u>	<u>139,161</u>	<u>1,180,111</u>	<u>(1,003,168)</u>	<u>1,336,548</u>
Total revenue from local sources	<u>1,565,864</u>	<u>571,996</u>	<u>666,483</u>	<u>870,668</u>	<u>1,180,111</u>	<u>(1,003,168)</u>	<u>3,851,954</u>
Total unrestricted revenues	<u>4,638,260</u>	<u>1,524,313</u>	<u>2,092,695</u>	<u>2,133,706</u>	<u>1,180,111</u>	<u>(1,003,168)</u>	<u>10,565,917</u>
Expenses							
Program services:							
Instruction	3,028,984	976,557	1,280,746	1,412,861	179,966		6,879,114
Instruction-related services	480,064	209,556	225,555	266,861			1,182,036
Pupil services	137,642	75,220	64,883	57,794			335,539
Support services:							
General administration	476,993	129,764	191,858	222,044	963,580	(1,003,168)	981,071
Plant services	662,248	180,427	438,493	356,840	46,733		1,684,741
Interest				72,540			72,540
Depreciation	<u>30,079</u>	<u>1,416</u>	<u>16,362</u>	<u>60,824</u>			<u>108,681</u>
Total expenditures	<u>4,816,010</u>	<u>1,572,940</u>	<u>2,217,897</u>	<u>2,449,764</u>	<u>1,190,279</u>	<u>(1,003,168)</u>	<u>11,243,722</u>
Change in unrestricted net assets	(177,750)	(48,627)	(125,202)	(316,058)	(10,168)		(677,805)
Unrestricted net assets - beginning of year	<u>1,846,515</u>	<u>458,717</u>	<u>1,438,014</u>	<u>1,453,412</u>	<u>157,674</u>		<u>5,354,332</u>
Unrestricted net assets - end of year	<u>\$ 1,668,765</u>	<u>\$ 410,090</u>	<u>\$ 1,312,812</u>	<u>\$ 1,137,354</u>	<u>\$ 147,506</u>	<u>\$ -</u>	<u>\$ 4,676,527</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in Net Assets	\$ (177,750)	\$ (48,627)	\$ (125,202)	\$ (316,058)	\$ (10,168)	\$ (677,805)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation	30,079	1,416	16,362	60,824		108,681
Write-off of work in progress			133,741	127,089		260,830
(Increase) decrease in operating assets:						
Accounts receivable - Federal and state governments	(239,458)	(201,785)	66,585	(236,019)		(610,677)
Accounts receivable - Intracompany					(45,873)	(45,873)
Accounts receivable - Other					42,876	42,876
Deposits and prepaid expenses	(12,450)	(9,430)				(21,880)
Increase (decrease) in operating liabilities:						
Accounts payable	10,413	40,203	62,446	(15,158)	63,837	161,741
Intracompany payable				45,873		45,873
Compensated absences	22,102	18,648	(5,580)	18,883		54,053
Amounts held for others	<u>6,012</u>	<u>1,040</u>	<u>7,292</u>	<u>11,636</u>		<u>25,980</u>
Net cash provided (used) by operating activities	<u>(361,052)</u>	<u>(198,535)</u>	<u>155,644</u>	<u>(302,930)</u>	<u>50,672</u>	<u>(656,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property, plant, and equipment		(25,650)				(25,650)
Net cash used by investing activities	<u>-</u>	<u>(25,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayment of capital lease obligations				(64,881)		(64,881)
Repayment of notes payable				(45,524)		(45,524)
Net cash used by financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,405)</u>	<u>-</u>	<u>(110,405)</u>
Net increase (decrease) in cash and cash equivalents	(361,052)	(224,185)	155,644	(413,335)	50,672	(792,256)
Cash and cash equivalents at the beginning of the year	<u>1,252,514</u>	<u>332,575</u>	<u>437,631</u>	<u>526,473</u>	<u>331,997</u>	<u>2,881,190</u>
Cash and cash equivalents at the end of the year	<u>\$ 891,462</u>	<u>\$ 108,390</u>	<u>\$ 593,275</u>	<u>\$ 113,138</u>	<u>\$ 382,669</u>	<u>\$ 2,088,934</u>
Interest paid during the fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,540</u>	<u>\$ -</u>	<u>\$ 72,540</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2010**

<u>Charter</u>	<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>
San Juan	Kindergarten	96	96	96	96
	First through third	266	266	267	267
	Fourth through sixth	200	200	200	200
	Seventh through eighth	96	96	96	96
	Totals	<u>658</u>	<u>658</u>	<u>659</u>	<u>659</u>
Capitol	Kindergarten	36	36	36	36
	First through third	91	91	91	91
	Fourth through sixth	54	54	54	54
	Seventh	4	4	4	4
	Totals	<u>185</u>	<u>185</u>	<u>185</u>	<u>185</u>
Elk Grove	Kindergarten	42	42	41	41
	First through third	124	124	123	123
	Fourth through sixth	88	88	88	88
	Seventh through eighth	23	23	23	23
	Totals	<u>277</u>	<u>277</u>	<u>275</u>	<u>275</u>
Shingle Springs	Kindergarten	38	38	38	38
	First through third	110	110	110	110
	Fourth through sixth	105	105	105	105
	Seventh through eighth	65	65	65	65
	Totals	<u>318</u>	<u>318</u>	<u>318</u>	<u>318</u>
Grand Total		<u>1,438</u>	<u>1,438</u>	<u>1,437</u>	<u>1,437</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF INSTRUCTIONAL TIME OFFERED
For the Fiscal Year Ended June 30, 2010**

	<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2009-10 Reduced Minutes</u>	<u>2009-10 Actual Minutes</u>	<u>Status</u>
San Juan	Kindergarten	36,000	34,971	55,740	In Compliance
	Grade 1	50,400	48,960	60,900	In Compliance
	Grade 2	50,400	48,960	60,900	In Compliance
	Grade 3	50,400	48,960	60,900	In Compliance
	Grade 4	54,000	52,457	60,900	In Compliance
	Grade 5	54,000	52,457	60,900	In Compliance
	Grade 6	54,000	52,457	60,900	In Compliance
	Grade 7	54,000	52,457	60,450	In Compliance
	Grade 8	54,000	52,457	60,450	In Compliance
Capitol	Kindergarten	36,000	34,971	52,680	In Compliance
	Grade 1	50,400	48,960	57,780	In Compliance
	Grade 2	50,400	48,960	57,780	In Compliance
	Grade 3	50,400	48,960	57,780	In Compliance
	Grade 4	54,000	52,457	57,780	In Compliance
	Grade 5	54,000	52,457	57,780	In Compliance
	Grade 6	54,000	52,457	57,780	In Compliance
	Grade 7	54,000	52,457	57,780	In Compliance
Elk Grove	Kindergarten	36,000	34,971	52,890	In Compliance
	Grade 1	50,400	48,960	57,990	In Compliance
	Grade 2	50,400	48,960	57,990	In Compliance
	Grade 3	50,400	48,960	57,990	In Compliance
	Grade 4	54,000	52,457	57,990	In Compliance
	Grade 5	54,000	52,457	57,990	In Compliance
	Grade 6	54,000	52,457	57,990	In Compliance
	Grade 7	54,000	52,457	61,740	In Compliance
	Grade 8	54,000	52,457	61,740	In Compliance
Shingle Springs	Kindergarten	36,000	34,971	55,110	In Compliance
	Grade 1	50,400	48,960	57,660	In Compliance
	Grade 2	50,400	48,960	57,660	In Compliance
	Grade 3	50,400	48,960	57,660	In Compliance
	Grade 4	54,000	52,457	60,210	In Compliance
	Grade 5	54,000	52,457	60,210	In Compliance
	Grade 6	54,000	52,457	60,210	In Compliance
	Grade 7	54,000	52,457	61,530	In Compliance
	Grade 8	54,000	52,457	61,530	In Compliance

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
TO AUDITED FINANCIAL STATEMENT NET ASSETS
For the Year Ended June 30, 2010**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Total</u>
June 30, 2010, annual financial and budget report net assets	\$ 1,915,046	\$ 455,447	\$ 1,148,610	\$ 558,013	\$ 4,077,116
Adjustments and reclassifications:					
Increasing (decreasing) net assets:					
Cash in County Treasury	-	-	(118,998)	59,228	(59,770)
Accounts receivable - Federal and state governments	(159,794)	(32,997)	(59,591)	609,590	357,208
Intracompany accounts receivable	-	-	256,471	-	256,471
Deposits and prepaid assets	12,450	9,430	-	-	21,880
Property, plant and equipment, net	34,020	41,618	248,367	1,216,176	1,540,181
Accounts payable	-	(25,000)	(95,875)	(26,418)	(147,293)
Intracompany payable	-	-	-	(302,344)	(302,344)
Compensated absences	(132,957)	(38,408)	(66,172)	(117,330)	(354,867)
Notes payable	-	-	-	(831,570)	(831,570)
Capital lease obligations	-	-	-	(27,991)	(27,991)
Total adjustments and reclassifications:	<u>(246,281)</u>	<u>(45,357)</u>	<u>164,202</u>	<u>579,341</u>	<u>451,905</u>
June 30, 2010, audited financial statement net assets	<u>\$ 1,668,765</u>	<u>\$ 410,090</u>	<u>\$ 1,312,812</u>	<u>\$ 1,137,354</u>	<u>\$ 4,529,021</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	San Juan	Capitol	Elk Grove	Shingle Springs	Total Federal Expenditures
<i>U.S. Department of Education</i>							
Pass Through Program From California Department of Education:							
Special Ed Cluster:							
Special Ed: IDEA Basic Local Assistance Entitlement, Part B	84.027	13379	\$ 72,249	\$ 20,358	\$ 30,334	\$ 34,998	\$ 157,939
Special Ed: ARRA IDEA Part B	84.391	15003	<u>78,936</u>	<u>23,110</u>	<u>24,988</u>	<u>26,974</u>	<u>154,008</u>
Subtotal: Special Ed Cluster			151,185	43,468	55,322	61,972	311,947
ARRA: State Fiscal Stabilization Fund	84.394	24997	<u>231,183</u>	<u>31,664</u>	<u>66,215</u>	<u>63,722</u>	<u>392,784</u>
Total Federal Program Expenditures			<u>\$ 382,368</u>	<u>\$ 75,132</u>	<u>\$ 121,537</u>	<u>\$ 125,694</u>	<u>\$ 704,731</u>
<u>Reconciliation to Federal Revenue</u>							
Total Federal Program Expenditures			\$ 382,368	\$ 75,132	\$ 121,537	\$ 125,694	\$ 704,731
Expenditures in Excess of Revenues							
Related to Federal Entitlement:							
ARRA: State Fiscal Stabilization Fund	84.394	24997	<u>(213,552)</u>	<u>(30,430)</u>	<u>(64,178)</u>	<u>(61,772)</u>	<u>(369,932)</u>
Total Federal Revenues			<u>\$ 168,816</u>	<u>\$ 44,702</u>	<u>\$ 57,359</u>	<u>\$ 63,922</u>	<u>\$ 334,799</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

NOTES TO SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES:

A. Supplemental Combining Statement of Financial Position

This statement presents the statement of financial position of each site for analysis purposes.

B. Supplemental Combining Statement of Activities

This statement presents the statement of activities of each site for analysis purposes.

C. Supplemental Combining Statement of Cash Flows

This statement presents the statement of cash flows of each site for analysis purposes.

D. Schedule of Average Daily Attendance (ADA)

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

E. Schedule of Instructional Time Offered

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

F. Reconciliation of Annual Financial Report with Audited Financial Statements Net Assets

This schedule provides the information necessary to reconcile the fund balance as reported on the SACS Form to the audited financial statements.

G. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule was prepared for the district and is presented on the modified accrual basis of accounting.



**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***

Governing Board
California Montessori Project
4718 Engle Road
Carmichael, CA 95608

We have audited the financial statements of California Montessori Project (the Schools) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schools' internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' financial statements are free of 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management, the Sacramento and El Dorado County Office of Education, the California Department of Education, Sacramento City Unified School District, Elk Grove Unified School District, San Juan Unified School District, Buckeye Unified School District, and the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

December 7, 2010



**INDEPENDENT AUDITORS' REPORT
REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
California Montessori Project
4718 Engle Road
Carmichael, CA 95608

Compliance

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) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Schools' management. Our responsibility is to express an opinion on the Schools' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leadership Public Schools, Inc.'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. Our audit does not provide a legal determination of the Schools' compliance with those requirements.

In our opinion, California Montessori Project complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Internal Control over Compliance

The management of California Montessori Project. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined.

This report is intended solely for the information and use of the Board, management, the Sacramento and El Dorado County Office of Education, the California Department of Education, Sacramento City Unified School District, Elk Grove Unified School District, San Juan Unified School District, Buckeye Unified School District, and the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

December 7, 2010



REPORT ON STATE COMPLIANCE

Governing Board
California Montessori Project
4718 Engle Road
Carmichael, CA 95608

We have audited the financial statements of California Montessori Project (the Schools) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2008-2009 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Schools' management is responsible for the Schools' compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Schools' compliance with the laws and regulations applicable to the following items:

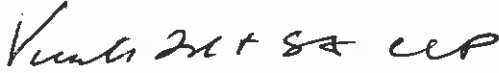
<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Not applicable
Kindergarten continuance	3	Not applicable
Continuation education	10	Not applicable
Independent study	23	Not applicable
Instructional time:		
School Districts	6	Not applicable
County Office of Education	3	Not applicable

REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	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
Public hearing requirement – receipt of funds	1	Not applicable
After School Education and Safety Program		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	Yes
Nonclassroom based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	3	Yes

Based on our audit, we found that, for the items tested, the Schools complied with the laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Schools had not complied with the laws and regulations of state programs and requirements.

This report is intended solely for the information and use of the Board, management, the Sacramento and El Dorado Office of Education, the California Department of Education, Sacramento City Unified School District, Elk Grove Unified School District, San Juan Unified School District, Buckeye Unified School District and the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


 VICENTI, LLOYD & STUTZMAN LLP

December 7, 2010

CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued December 7, 2010: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? *No*

Significant deficiencies identified that are not considered to be material weakness(es)? *No*

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major programs:

Material weakness(es) identified? *No*

Significant deficiencies identified that are not considered to be material weakness(es)? *No*

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)? *No*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.027, 84.391 84.394	Special Ed Cluster ARRA: State Fiscal Stabilization Fund
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Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? *No*

CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

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 or questioned costs for the year ended June 30, 2010.

CALIFORNIA MONTESSORI PROJECT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2010

There were no findings or questioned costs for the year ended June 30, 2009.