

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

June 30, 2009



CALIFORNIA MONTESSORI PROJECT

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2009, 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, 2009, 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 4, 2009 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.

Board of Directors
California Montessori Project

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 17-21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.


VICENTI, LLOYD & STUTZMAN LLP

December 4, 2009

CALIFORNIA MONTESSORI PROJECT
STATEMENT OF FINANCIAL POSITION
June 30, 2009

Assets

Current assets	
Cash in County Treasury	\$ 2,658,916
Cash on hand and in banks	215,967
Cash in revolving fund	6,307
Accounts receivable:	
Federal and state governments	2,355,108
Intracompany receivable	256,471
Other	44,919
Deposits and prepaid assets	<u>79,141</u>
Total current assets	5,616,829
Non-current assets	
Property, plant and equipment, net	<u>1,884,042</u>
Total assets	<u>\$ 7,500,871</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 439,548
Intracompany payable	256,471
Compensated absences	300,813
Amount held for others	179,741
Current installments of long-term liabilities:	
Notes payable	48,102
Capital leases	<u>71,500</u>
Total current liabilities	1,296,175
Non-current liabilities	
Notes payable, less current installments	828,992
Capital lease obligations, less current installments	<u>21,372</u>
Total non-current liabilities	<u>850,364</u>
Net assets	
Unrestricted - capital assets, net of related debt	914,076
Unrestricted	<u>4,440,256</u>
Total net assets	<u>5,354,332</u>
Total liabilities and net assets	<u>\$ 7,500,871</u>

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

CALIFORNIA MONTESSORI PROJECT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2009

Revenues

Revenue from state sources:	
State aid portion of general purpose block grant	\$ 4,952,845
Block grant - categorical	611,559
Class size Reduction	816,906
Lottery	161,612
Other state revenue	<u>809,129</u>
Total revenue from state sources	7,352,051
Revenue from federal sources	586,689
Revenue from local sources:	
In-lieu property tax	2,334,476
Interest	84,016
Other local revenue	<u>2,380,961</u>
Total revenue from local sources	<u>4,799,453</u>
Total unrestricted revenues	<u>12,738,193</u>

Expenses

Program services:	
Instruction	6,047,870
Instruction-related services	2,153,315
Pupil services	391,614
Support services:	
General administration	902,859
Plant services	1,557,749
Interest	88,088
Depreciation	<u>112,806</u>
Total expenses	<u>11,254,301</u>
Change in unrestricted net assets	1,483,892
Unrestricted net assets - beginning of year	<u>3,870,440</u>
Unrestricted net assets - end of year	<u>\$ 5,354,332</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, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 1,483,892
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	112,806
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	(1,544,793)
Accounts receivable - Intracompany	(256,471)
Accounts receivable - Other	56,983
Deposits and prepaid expenses	30,011
Increase (decrease) in operating liabilities:	
Accounts payable	99,944
Intracompany payable	256,471
Accrued liabilities	92,012
Amounts held for others	<u>54,419</u>
Net cash provided by operating activities	<u>385,274</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	<u>(444,821)</u>
Net cash used by investing activities	<u>(444,821)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of capital lease obligations	(101,411)
Proceeds from issuance of capital leases	183,992
Repayment of long-term debt	<u>(46,547)</u>
Net cash provided by financing activities	<u>36,034</u>

Net decrease in cash and cash equivalents (23,513)

Cash and cash equivalents at the beginning of the year 2,904,703

Cash and cash equivalents at the end of the year \$ 2,881,190

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

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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 Governance 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 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 School's per pupil revenues to provide administrative oversight.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB), including Statement No. 117, "Financial Statements for Not-for-Profit Organizations" issued by the American Institute of Certified Public Accountants.

Under SFAS No. 117, the Schools are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of the Schools 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.

The prior year financial statements were prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

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 average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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

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.

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 by SFAS No. 116, "Accounting for Contributions Received and Contributions Made." 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

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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

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.

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, 2009. 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, 2009, through December 4, 2009, which is the date these financial statements were available to be issued, have been evaluated in accordance with FASB Statement on Accounting Standards 165, *Subsequent Events*. There were no subsequent events requiring recognition as of June 30, 2009.

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.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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, 2009 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 Organization's deposits in this pool as of June 30, 2009, as provided by the pool sponsor, was approximately \$2,658,916.

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 \$684,913. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2010	\$ 545,570
2011	425,557
2012	<u>27,331</u>
Total	\$ <u>998,458</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 - LONG-TERM DEBT:

Notes Payable (continued)

The Shingle Springs Campus also 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 the Schools' 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 payment of \$4,296. Future maturities are as follows:

Year Ended <u>June 30</u>	<u>Total</u>
2010	\$ 40,622
2011	43,993
2012	47,645
2013	<u>24,647</u>
Total	<u>\$156,907</u>

Notes Payable

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 shall be in 38 monthly principal and interest payment in the amount of \$4,991. The note then requires 83 monthly payments of approximately \$5,283 at an initial interest rate of 7%. The note matures in December 2015. Future maturities are as follows:

Year Ended <u>June 30</u>	<u>Total</u>
2010	\$ 7,480
2011	8,069
2012	8,705
2013	9,391
2014	10,131
Thereafter	<u>676,412</u>
Total	<u>\$720,188</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 - LONG-TERM DEBT: (continued)

Capital Leases

The Shingle Springs Campus leases portables 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 \$11,113 for the equipment under the capital leases. Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payments</u>
2010	\$71,500
2011	27,972
2012	<u>1,122</u>
Total	100,594
Less amount representing interest	<u>(7,721)</u>
Present value of net minimum lease payments	<u>\$92,873</u>

NOTE 5 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of 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 2008-09 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, 2009

NOTE 5 - EMPLOYEE RETIREMENT PLANS: (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>
2007	\$256,736	100%
2008	\$303,693	100%
2009	\$328,065	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.

NOTE 7 - CAPITAL ASSETS:

As of June 30, 2009 the cost and accumulated depreciation of property, plant and equipment was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
Building	\$1,449,392	\$ 183,991	\$ -	\$1,633,383
Building improvements	427,955			427,955
Work in progress	-	<u>260,830</u>		<u>260,830</u>
Totals at historical cost	<u>1,877,347</u>	<u>444,821</u>	<u>-</u>	<u>2,322,168</u>
Less accumulated depreciation for:				
Building	225,392	75,855		301,247
Building improvements	<u>99,928</u>	<u>36,951</u>		<u>136,879</u>
Total accumulated depreciation	<u>325,320</u>	<u>112,806</u>	<u>-</u>	<u>438,126</u>
Property, plant and equipments, net	<u>\$1,552,027</u>	<u>\$ 332,015</u>	<u>\$ -</u>	<u>\$1,884,042</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 8 – FEDERAL EXPENDITURES:

For the year ended June 30, 2009, the Schools were awarded \$586,689 in various federal funding. Of the funding awarded, only \$132,890 was expended during the fiscal year.

SUPPLEMENTARY INFORMATION SECTION

CALIFORNIA MONTESSORI PROJECT

HISTORY AND ORGANIZATION

June 30, 2009

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 Governance 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, 2009

The Board of Directors and Administrators for the fiscal year ended June 30, 2009 are as follows:

BOARD OF DIRECTORS

<u>MEMBERS</u>	<u>OFFICE</u>	<u>TERM</u>
Erin Auernig	Vice Chairman/Montessori Representative	2009
Stephanie Garrettson	Secretary	2009
Paula Tarpenning	District Representative – San Juan USD/Non-voting	N/A
Christy Moustiris	District Representative – Elk Grove USD/Non-voting	N/A
Patty Hagemeyer	District Representative – Sacramento City USD	N/A
Teresa Wenig	District Representative – Buckeye USD	N/A
Michelle Rutz	Teacher Representative – Shingle Springs	2009
Deb Williams	Teacher Representative – American River	2009
Maria Ostendorf	Teacher Representative – Capitol	2009
Jenny Savakus	Community Representative	2009
Jayna Gaskell	Charter School Representative	2009
Allison Claire	Parent Representative – Carmichael	2009
Tom Cerussi	Parent Representative – Elk Grove	2009

ADMINISTRATION

Gary Bowman	Executive Director
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CALIFORNIA MONTESSORI PROJECT

**SUPPLEMENTAL COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2009**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Total</u>
Assets						
Current assets						
Cash in County Treasury	\$ 1,195,006	\$ 304,975	\$ 420,187	\$ 413,058	\$ 325,690	\$ 2,658,916
Cash on hand and in banks	57,508	27,600	17,444	113,415	-	215,967
Cash in revolving fund	-	-	-	-	6,307	6,307
Accounts receivable:						
State governments	720,034	173,604	468,675	992,795	-	2,355,108
Intracompany receivable	-	-	256,471	-	-	256,471
Miscellaneous	-	-	-	-	44,919	44,919
Deposits and prepaid assets	47,045	-	32,096	-	-	79,141
Total current assets	<u>2,019,593</u>	<u>506,179</u>	<u>1,194,873</u>	<u>1,519,268</u>	<u>376,916</u>	<u>5,616,829</u>
Non-current assets						
Property, plant and equipment, net	64,099	17,384	398,470	1,404,089	-	1,884,042
Total assets	<u>\$ 2,083,692</u>	<u>\$ 523,563</u>	<u>\$ 1,593,343</u>	<u>\$ 2,923,357</u>	<u>\$ 376,916</u>	<u>\$ 7,500,871</u>
Liabilities and Net Assets						
Current liabilities						
Accounts payable	\$ 81,555	\$ 20,181	\$ 69,369	\$ 49,201	\$ 219,242	\$ 439,548
Intracompany payable	-	-	-	256,471	-	256,471
Compensated absences	110,854	19,760	71,752	98,447	-	300,813
Amounts held for others	44,768	24,905	14,208	95,860	-	179,741
Current installments of long-term liabilities:						
Notes payable	-	-	-	48,102	-	48,102
Capital lease obligation	-	-	-	71,500	-	71,500
Total current liabilities	<u>237,177</u>	<u>64,846</u>	<u>155,329</u>	<u>619,581</u>	<u>219,242</u>	<u>1,296,175</u>
Non-current liabilities						
Notes payable, less current installments	-	-	-	828,992	-	828,992
Capital lease obligations, less current installments	-	-	-	21,372	-	21,372
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,364</u>	<u>-</u>	<u>850,364</u>
Net assets						
Invested in capital assets, net of related debt	64,099	17,384	398,470	434,123	-	914,076
Unrestricted	1,782,416	441,333	1,039,544	1,019,289	157,674	4,440,256
Total net assets	<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>
Total liabilities and net assets	<u>\$ 2,083,692</u>	<u>\$ 523,563</u>	<u>\$ 1,593,343</u>	<u>\$ 2,923,357</u>	<u>\$ 376,916</u>	<u>\$ 7,500,871</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**SUPPLEMENTAL COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009**

	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>	<u>Central Admin</u>	<u>Total</u>
Revenues						
Revenue from state sources:						
State aid portion of general purpose block grant	\$ 2,351,535	\$ 517,858	\$ 1,099,309	\$ 984,143	\$ -	\$ 4,952,845
Block grant - categorical	287,873	63,756	125,259	134,671	-	611,559
Class size Reduction	378,428	91,762	195,993	150,723	-	816,906
Lottery	76,425	15,781	33,029	36,377	-	161,612
Other state revenue	<u>45,886</u>	<u>17,468</u>	<u>30,044</u>	<u>715,731</u>	-	<u>809,129</u>
Total revenue from state sources	3,140,147	706,625	1,483,634	2,021,645	-	7,352,051
Revenue from federal sources	276,395	58,242	119,751	132,301	-	586,689
Revenue from local sources:						
In-lieu property tax	1,137,460	194,965	355,413	646,638	-	2,334,476
Interest	39,730	8,204	17,171	18,911	-	84,016
Other local revenue	<u>402,466</u>	<u>188,271</u>	<u>309,979</u>	<u>178,358</u>	<u>1,301,887</u>	<u>2,380,961</u>
Total revenue from local sources	<u>1,579,656</u>	<u>391,440</u>	<u>682,563</u>	<u>843,907</u>	<u>1,301,887</u>	<u>4,799,453</u>
Total Revenues	<u>4,996,198</u>	<u>1,156,307</u>	<u>2,285,948</u>	<u>2,997,853</u>	<u>1,301,887</u>	<u>12,738,193</u>
Expenses						
Program services:						
Instruction	2,598,477	547,169	1,245,063	1,369,963	287,198	6,047,870
Instruction-related services	936,707	285,553	430,759	500,296	-	2,153,315
Pupil services	170,521	62,128	65,938	93,027	-	391,614
Support services:						
General administration	-	-	-	-	902,859	902,859
Plant services	707,512	146,405	373,565	282,365	47,902	1,557,749
Interest	-	-	402	87,686	-	88,088
Depreciation	<u>30,079</u>	<u>561</u>	<u>16,362</u>	<u>65,804</u>	-	<u>112,806</u>
Total Expenditures	<u>4,443,296</u>	<u>1,041,816</u>	<u>2,132,089</u>	<u>2,399,141</u>	<u>1,237,959</u>	<u>11,254,301</u>
Change in unrestricted net assets	552,902	114,491	153,859	598,712	63,928	1,483,892
Unrestricted net assets - beginning of year	<u>1,293,613</u>	<u>344,226</u>	<u>1,284,155</u>	<u>854,700</u>	<u>93,746</u>	<u>3,870,440</u>
Unrestricted net assets - end 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>

See the accompanying notes to the supplementary information

CALIFORNIA MONTESSORI PROJECT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)

For the Fiscal Year Ended June 30, 2009

<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	93	93	94	94
	First through third	258	258	256	256
	Fourth through sixth	202	202	202	202
	Seventh through eighth	78	78	78	78
	Totals	<u>631</u>	<u>631</u>	<u>630</u>	<u>630</u>
Capitol	Kindergarten	19	19	19	19
	First through third	71	71	71	71
	Fourth through sixth	40	40	40	40
	Totals	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>
Elk Grove	Kindergarten	55	55	56	56
	First through third	118	118	117	117
	Fourth through sixth	71	71	71	71
	Seventh through eighth	29	29	28	28
	Totals	<u>273</u>	<u>273</u>	<u>272</u>	<u>272</u>
Shingle Springs	Kindergarten	34	34	34	34
	First through third	107	107	108	108
	Fourth through sixth	103	103	103	103
	Seventh through eighth	57	57	57	57
	Totals	<u>301</u>	<u>301</u>	<u>302</u>	<u>302</u>
Grand Total		<u>1,335</u>	<u>1,335</u>	<u>1,334</u>	<u>1,334</u>

Supplementary Hours:

	Charter			
	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>
Grades K-12 Core Instruction	2,261	119	982	1,422
Grades 7-12 Remedial Instruction	-	-	-	17
Grades 2-9 Pupils at risk of Retention	1,889	859	112	-
Grades 2-6 Low Star Score	674	407	406	372
Totals	<u>4,824</u>	<u>1,385</u>	<u>1,500</u>	<u>1,811</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF INSTRUCTIONAL TIME OFFERED
For the Fiscal Year Ended June 30, 2009**

	<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2008-09 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
San Juan	Kindergarten	36,000	53,160	180	In Compliance
	Grade 1	50,400	58,320	180	In Compliance
	Grade 2	50,400	58,320	180	In Compliance
	Grade 3	50,400	58,320	180	In Compliance
	Grade 4	54,000	60,040	180	In Compliance
	Grade 5	54,000	60,040	180	In Compliance
	Grade 6	54,000	60,040	180	In Compliance
	Grade 7	54,000	62,250	180	In Compliance
	Grade 8	54,000	62,250	180	In Compliance
Capitol	Kindergarten	36,000	53,280	180	In Compliance
	Grade 1	50,400	58,440	180	In Compliance
	Grade 2	50,400	58,440	180	In Compliance
	Grade 3	50,400	58,440	180	In Compliance
	Grade 4	54,000	58,440	180	In Compliance
	Grade 5	54,000	58,440	180	In Compliance
	Grade 6	54,000	58,440	180	In Compliance
Elk Grove	Kindergarten	36,000	53,160	180	In Compliance
	Grade 1	50,400	58,440	180	In Compliance
	Grade 2	50,400	58,440	180	In Compliance
	Grade 3	50,400	58,440	180	In Compliance
	Grade 4	54,000	58,440	180	In Compliance
	Grade 5	54,000	58,440	180	In Compliance
	Grade 6	54,000	58,440	180	In Compliance
	Grade 7	54,000	62,250	180	In Compliance
	Grade 8	54,000	62,250	180	In Compliance
Shingle Springs	Kindergarten	36,000	55,740	180	In Compliance
	Grade 1	50,400	58,320	180	In Compliance
	Grade 2	50,400	58,320	180	In Compliance
	Grade 3	50,400	58,320	180	In Compliance
	Grade 4	54,000	60,900	180	In Compliance
	Grade 5	54,000	60,900	180	In Compliance
	Grade 6	54,000	60,900	180	In Compliance
	Grade 7	54,000	62,250	180	In Compliance
	Grade 8	54,000	62,250	180	In Compliance

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**COMBINING RECONCILIATION OF ANNUAL FINANCIAL REPORT
TO AUDITED FINANCIAL STATEMENT NET ASSETS**

For the Year Ended June 30, 2009

	San Juan	Capitol	Elk Grove	Shingle Springs	Total
June 30, 2009, annual financial and budget report net assets	\$ 1,812,688	\$ 444,966	\$ 988,744	\$ 445,128	\$ 3,691,526
Adjustments and reclassifications:					
Increasing (decreasing) net assets:					
Understatement of cash	-	-	2,663	270,117	272,780
Understatement of accounts receivable	80,582	16,127	170,048	715,389	982,146
Overstatement of prepaid expenses	-	-	-	(30,011)	(30,011)
Understatement of property, plant and equipment, net	64,099	17,384	398,470	1,404,089	1,884,042
Understatement of accounts payable	-	-	(50,159)	(282,887)	(333,046)
Understatement of accrued absences	(110,854)	(19,760)	(71,752)	(98,447)	(300,813)
Understatement of long-term debt	-	-	-	(969,966)	(969,966)
Total adjustments and reclassifications:	33,827	13,751	449,270	1,008,284	1,505,132
June 30, 2009, audited financial statement net assets	<u>\$ 1,846,515</u>	<u>\$ 458,717</u>	<u>\$ 1,438,014</u>	<u>\$ 1,453,412</u>	<u>\$ 5,196,658</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009**

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. 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.

D. 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.

E. Combining 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.



**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
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, 2009, and have issued our report thereon dated December 4, 2009. 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 auditing procedures for the purpose of expressing our opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Schools' financial statements that is more than inconsequential will not be prevented or detected by the Schools' internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 non-compliance 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 4, 2009



REPORT ON STATE COMPLIANCE

Board of Directors
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, 2009, and have issued our report thereon dated December 4, 2009. 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
Independent study	23	Not applicable
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational center/programs	6	Not applicable

REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable
Community day schools	9	Not applicable
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	Yes
Morgan-Hart class size reduction program	7	Not applicable
Instructional materials:		
General requirements	12	Not applicable
Grades K-8 only	1	Not applicable
Grades 9-12 only	1	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
Mathematics and reading professional development	4	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 4, 2009

CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

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, 2009.

CALIFORNIA MONTESSORI PROJECT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2009

There were no findings or questioned costs for the year ended June 30, 2008.