

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.

FINANCIAL STATEMENTS

June 30, 2014

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
FINANCIAL STATEMENTS
June 30, 2014

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FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have audited the accompanying financial statements of Southwest Louisiana Charter Academy Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2014, and the statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Charter Academy Foundation, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The Performance and Statistical Data, included as Schedules 1 through 9, is not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant’s Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of the Foundation’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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation’s internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 28, 2014

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,132,809
Due from other governments	78,034
Due from management company	41,651
Other receivables	32,629
Prepaid expenses and other current assets	<u>38,058</u>

Total current assets	<u>1,323,181</u>
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PROPERTY AND EQUIPMENT, less accumulated depreciation of \$ 379,979

9,343,372

OTHER ASSETS:

Restricted cash equivalents	9,795,731
Unamortized bond issuance costs and underwriters' discount	510,294
Deposits	<u>30,502</u>

Total other assets	<u>10,336,527</u>
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Total assets	<u>\$ 21,003,080</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 570,435
Salaries and wages payable	275,243
Contracts payable	1,677,127
Accrued interest payable	58,699
Due to related party	405,436
Compensated absences	<u>10,174</u>

Total current liabilities	<u>2,997,114</u>
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NONCURRENT LIABILITIES:

Compensated absences	3,391
Bonds payable, net of unamortized discount	<u>17,299,298</u>

Total noncurrent liabilities	<u>17,302,689</u>
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Total liabilities	<u>20,299,803</u>
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COMMITMENTS (NOTE 8)

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NET ASSETS - Unrestricted

703,277

Total liabilities and net assets	<u>\$ 21,003,080</u>
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The accompanying notes to combined financial statements are an integral part of these statements.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

SUPPORT AND REVENUES:

Support:

Contributions	\$	35,401
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Grants:

Federal		490,984
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Minimum Foundation Program		6,396,902
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Total support		<u>6,923,287</u>
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Revenues:

Student lunches		15,230
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Before and aftercare fees		38,108
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Other revenue		39,191
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Interest income		890
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Total revenues		<u>93,419</u>
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Total support and revenues		<u>7,016,706</u>
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EXPENSES:

Instruction		2,933,385
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Support services:

Pupil personnel services		404,183
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Instructional media services		3,699
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Instructional and curriculum development services		2,032
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Instruction related technology		31,114
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Instructional staff training services		39,045
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School board		38,139
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School administration		480,808
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Fiscal services		1,094,398
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Food services		319,298
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Central services		10,872
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Transportation		285,487
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Operation of plant		1,210,071
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Community services		45,154
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Provision for amortization		11,711
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Total expenses		<u>6,909,396</u>
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Change in net assets		107,310
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NET ASSETS, beginning of year		<u>595,967</u>
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NET ASSETS, end of year	\$	<u><u>703,277</u></u>
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The accompanying notes to combined financial statements are an integral part of these statements.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.

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

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net position	\$ 107,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation	222,673
Provision for amortization	11,711
Changes in assets and liabilities:	
Decrease in due from other governments	51,782
Increase in due from management company	(35,484)
Increase in other receivables	(29,524)
Decrease in prepaid expenses and other assets	2,534
Decrease in deposits	9,530
Increase in accounts payable	418,060
Decrease in salaries and wages payable	(74,321)
Increase in contracts payable	1,677,127
Increase in accrued interest payable	58,699
Decrease in due to related party	(73,295)
Decrease in other liabilities	(4,582)
Increase compensated absences	277
	<u>277</u>
Net cash provided by operating activities	<u>2,342,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments for purchase of property and equipment	<u>(9,064,158)</u>
Net cash used in investing activities	<u>(9,064,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from bonds	17,480,000
Original bond discount	(183,765)
Bond issue and underwriters' discount	<u>(518,942)</u>
Net cash provided by financing activities	<u>16,777,293</u>
Increase in cash and cash equivalents and restricted cash equivalents	10,055,632
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, begininng of year	<u>872,908</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, end of year	\$ <u><u>10,928,540</u></u>
Cash and cash equivalents	\$ 1,132,809
Restricted cash equivalents	<u>9,795,731</u>
	\$ <u><u>10,928,540</u></u>

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

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization

Southwest Louisiana Charter Academy Foundation, Inc. (the "Foundation"), a Louisiana not-for-profit corporation, was formed on April 19, 2012 exclusively for educational purposes and is comprised of respected leaders in the Lake Charles community that are committed to providing high quality educational options for the citizens of the Calcasieu Parish. Southwest Louisiana Charter Academy (the "School"), a segment of the Foundation, was established as a charter school in July 2012 for students from kindergarten to seventh grade in the Louisiana Parish of Calcasieu. The School will expand to serve students from kindergarten to eighth grade in the third year of operations.

Nature of activities

Southwest Louisiana Charter Academy Foundation, Inc. was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2012 to operate a Type 2 public charter school. The current charter is in effect until June 2016 and may be extended for a maximum initial term of five years. Upon the completion of the charter school's fifth year of operations, the charter may be renewed at the discretion of BESE.

The Foundation seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measure pupil progress toward stated goal; and participate in pupil assessment required by law, regulation and BESE policy.

The mission of the Southwest Louisiana Charter Academy Foundation, Inc. is to become a powerful platform of change through the creation of a network of high-performing charter schools that will target traditionally underserved students and ensure that every student realizes their academic and personal potential.

The mission of the School is to ensure that each student actualizes their potential to become a self-motivated life-long learner, a responsible citizen, and a productive member of the global 21st century workforce, by ensuring that each graduating student is prepared to enter, compete, and succeed in secondary and post-secondary educational opportunities and careers of choice.

The School will implement its mission through creating a learning environment of student safety and success that incorporates individualized, research-based instruction, integrated character education, project-based learning opportunities, and community engagement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the reporting organization is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the Foundation are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenue recognition:

Revenues from governmental grants are recognized when allowable expenditures are made by the Foundation. Funds received for specific purposes but not yet expended are recorded as unearned revenue.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Foundation reports no temporarily restricted or permanently restricted net assets as of June 30, 2014.

Minimum Foundation Program (MFP):

The School, as a Type 2 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at school. The amount of funding received is adjusted during the school year based on October 1st student count and the result of any audits performed.

Cash and cash equivalents:

The Foundation considers all highly liquid or short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation routinely maintains cash balances at financial institutions which exceed federally insured amounts. The Foundation has not experienced any losses and does not believe that a significant credit risk exists as a result of this practice.

Restricted cash and cash equivalents:

At June 30, 2014, restricted cash and cash equivalents include escrow balances restricted for debt service (Note 6) and other activities as follows:

Series 2013 Debt Service Reserve Fund	\$ 1,594,746
Series 2013 Revenue Fund	117,405
Series 2013 Capitalized Interest Fund	773,259
Series 2013 Retainage Fund	256,198
Series 2013 Proceeds Fund	<u>7,054,123</u>
Total restricted cash equivalents	\$ <u>9,795,731</u>

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment:

Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Donated property and equipment assets are valued at the estimated fair market value as of the date received. Additions, improvements, and other major renewals that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related assets. Other costs incurred for repairs and maintenance are charged to expense as incurred. Interest expense is capitalized during the time a project is under construction and begins upon the issuance of bonds to finance the construction of a capital asset. Capitalized interest during the current fiscal year amounted to approximately \$ 716,000.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and equipment	5 years
Computer equipment and software	3 years
Improvements other than building	10 years

Prepaid expenses:

Certain payments reflect costs applicable to services for a future accounting period and are recorded as prepaid expenses in the accompanying financial statements.

Compensated absences:

The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

Bond issuance costs and provision for amortization:

The Foundation incurred certain costs in connection with the issuance of its bonds. These costs have been capitalized for financial reporting purposes and are amortized over the term of the bonds on a straight-line basis.

Unearned revenue:

Unearned revenue is recorded in connection with resources that have been received, but not yet earned.

Functional allocation of expenses:

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying statement of activities.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Date of management's review:

Subsequent events have been evaluated through October 28, 2014, which is the date the financial statements were available to be issued.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

As of June 30, 2014, due from other governments consisted of amounts due from the following sources:

RECEIVABLES	Amount
Minimum Foundation Program	\$ 32,691
Title I	30,189
Title II	2,880
IDEA	12,274
	\$ 78,034

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2014:

Land	\$ 1,232,554
Construction in progress, including capitalized interest of \$ 716,133	7,598,776
Furniture, fixtures and equipment	520,098
Computer equipment and software	366,804
Improvements other than building	5,119
Less: accumulated depreciation	(379,979)
Property and equipment, net	\$ 9,343,372

Depreciation expense for the year ended June 30, 2014 totaled \$ 222,673.

If certain governmental funding is used to acquire tangible property assets, the BESE has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the BESE.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 - DUE TO RELATED PARTY

The Foundation and Lake Charles Charter Academy Foundation, Inc. ("LCCAF") are related, as they share common board membership. As of June 30, 2014, the financial statements include an amount due to LCCAF in the amount of \$ 405,436 for shared expenses as well as the balance for assets that were previously purchased from LCCAF.

NOTE 6 - BONDS PAYABLE

a. Summary of Bonds Payable

Bonds payable at June 30, 2014 is comprised of the following bond issue:

\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013; due in semi-annual installments beginning December 2016 through December 2043; interest payable semiannually at rates that range from 6.625% to 8.375%.	\$ 17,480,000
Less unamortized bond discount	<u>(180,702)</u>
	<u>\$ 17,299,298</u>

The following is a summary of changes in bonds payable for the year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
Tax-Exempt Educational Facilities Revenue Bonds, Series 2013	\$ -	\$ 17,480,000	\$ -	\$ 17,480,000	\$ -
Discount on Series 2013 Bonds	-	(183,765)	3,063	(180,702)	-
	\$ -	\$ 17,296,235	\$ 3,063	\$ 17,299,298	\$ -

b. Summary of Significant Bond Terms

\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013 - Series 2013 tax-exempt bonds are for the purpose of (i) financing the acquisition, construction and equipping of certain charter school facilities, (ii) paying capitalized interest, (iii) funding a reserve fund, and (iv) paying a portion of the costs of issuance of the Series 2013 bonds. The bonds are payable in semi-annual principal installments beginning December 2016 through December 2043. Interest ranging from 6.625% to 8.375% is payable semiannually on the fifteenth day of June and December.

The bonds are subject to mandatory redemption at a redemption price equal to the principal amount plus accrued interest to the redemption date subject to certain events as outlined in the bond indenture. The bonds are not subject to a premium at optional redemption after December 15, 2023.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 - BONDS PAYABLE (continued)

The annual debt service requirement for the Series 2013 Educational Facilities Revenue Bonds consists of:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 1,408,790	\$ 1,408,790
2016	-	1,408,790	1,408,790
2017	185,000	1,405,805	1,590,805
2018	200,000	1,393,220	1,593,220
2019	215,000	1,379,805	1,594,805
2020-2024	1,290,000	6,664,820	7,954,820
2025-2029	1,840,000	6,116,240	7,956,240
2030-2034	2,720,000	5,242,815	7,962,815
2035-2039	4,060,000	3,898,930	7,958,930
2040-2044	6,970,000	1,787,850	8,757,850
	<u>\$ 17,480,000</u>	<u>\$ 30,707,065</u>	<u>\$ 48,187,065</u>

The trust indenture requires reserve funds equal to \$ 1,594,678 for the Series 2013 bonds. As of June 30, 2014, the reserve fund account balance was sufficient to satisfy this requirement. The trust indenture also contains a financial covenant which requires the Foundation to maintain a long-term debt service coverage ratio of 1.10 to 1.00 for the year ending June 30, 2015 and 1.25 to 1.00 for each fiscal year thereafter.

In order to secure the payment in full of the bonds and to secure the performance by the Foundation to all covenants, the Foundation grants the Louisiana Public Facilities Authority (the "Authority") a security interest in substantially all their property and equipment. The Foundation also pledges to the Authority a security interest in all revenues, as well as the right, title and interest in the escrow accounts.

NOTE 7 - INCOME TAXES

Southwest Louisiana Charter Academy Foundation, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - COMMITMENTS

Management agreement:

The Foundation has a formal agreement with Charter Schools USA, Inc. ("CSUSA") to manage, staff, and operate the School. CSUSA shall be entitled to retain as compensation for its services rendered pursuant to this agreement the difference, if any, between the amount of the charter school's revenues and the amount of revenues actually expended by CSUSA in operation and/or management of the charter school during its fiscal year (the "Fee") in accordance with the approved budget. The approved budget will include a projected management fee. Fees in excess of the projected fee requires board approval.

For the year ended June 30, 2014, the amount of compensation received by CSUSA was \$ 1,067,293 which represents compensation for operating the School as well as the aftercare program.

At June 30, 2014, the financial statements reflect a due from management company of \$ 41,651.

Also at June 30, 2014, the Foundation's accounts payable balance has an amount payable to CSUSA for \$ 513,647 which is for invoiced services.

Lease agreement:

The Foundation entered into a noncancellable operating lease for use of its premises through June 2014. The lease required monthly payments of \$ 35,000. This lease was not renewed due to the Foundation acquiring the facility that the School will be utilizing in the next fiscal year. In addition, the Foundation paid approximately \$ 304,000 for the rental of portable classrooms during the 2013-2014 fiscal year. For the year ended June 30, 2014, the Foundation paid a total of approximately \$ 724,000 in rent.

Post-retirement benefits:

The School does not provide post-retirement benefits to retired employees.

NOTE 9 - EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2013, the School offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 20% of their annual gross compensation, subject to certain limitations. The School contributed a matching amount of \$ 1,841 for the year ended June 30, 2013.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Cash Flow Information

	<u>2014</u>
Cash received during the year for - Interest income	\$ 890
Cash paid during the year for - Interest expense	\$ 657,434

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to year end, the Foundation entered into a promissory note with a bank related to the purchase of a building. The note is for \$ 2,560,000, has an interest rate of 4.75% and a repayment term of 5 years. In addition to this note, the Foundation entered into a second note with a not-for-profit organization also relating to the building purchase. The second note is for \$ 220,000, has an interest rate of 4.75% and a repayment term of 5 years.

INTERNAL CONTROLS AND COMPLIANCE

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

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Louisiana Charter Academy Foundation, Inc. (a not-for-profit organization) (the "Foundation") which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 28, 2014

**SCHEDULES REQUIRED BY STATE LAW
(LA R.S. 24:524 – PERFORMANCE
AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Southwest Louisiana Charter Academy Foundation, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statement of Southwest Louisiana Charter Academy Foundation, Inc. and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the accompanying schedules of supplemental information are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

No exceptions noted.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full-time teachers, principals and assistant principals by classification as of October 1 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined that the individual's education level was properly classified on the schedule.

No exceptions noted.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

No exceptions noted.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined that the individual's experience was properly classified on the schedule.

No exceptions noted.

Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

No exceptions noted.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

No exceptions noted.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

No exceptions noted.

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Southwest Louisiana Charter Academy Foundation, Inc.

No exceptions noted.

The Graduation Exit Exam (GEE) (Schedule 8)

11. Information is not applicable for 2014, and is shown for historical purposes.

iLEAP Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to the scores reported in the schedule by Southwest Louisiana Charter Academy Foundation, Inc.

No exceptions noted.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of Southwest Louisiana Charter Academy Foundation, Inc., the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 22, 2014

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES
AND CERTAIN LOCAL REVENUE SOURCES
For the Year Ended June 30, 2014

SCHEDULE 1

GENERAL FUND INSTRUCTIONAL
AND EQUIPMENT EXPENDITURES:

General Fund instructional expenditures:

Teacher and student interaction activities:		
Classroom teacher salaries	\$ 2,151,396	
Other instructional staff activities	119,962	
Employee Benefits	340,599	
Purchased professional and technical services	77,846	
Instructional materials and supplies	252,580	
Instructional equipment	<u>264,659</u>	
Total teacher and student interaction activities		\$ 3,207,042
Other instructional activities		47,477
Pupil support activities	92,309	
Less: equipment for pupil support activities	<u>-</u>	
Net pupil support activities		92,309
Instructional staff services	6,625	
Less: equipment for instructional staff services	<u>-</u>	
Net instructional staff services		6,625
School administration	425,491	
Less: equipment for school administration	<u>-</u>	
Net school administration		<u>425,491</u>
Total General Fund instructional expenditures		<u>\$ 3,778,944</u>
Total General Fund equipment expenditures		<u>\$ 264,659</u>

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES
AND CERTAIN LOCAL REVENUE SOURCES
(continued)
For the Year Ended June 30, 2014

SCHEDULE 1

CERTAIN LOCAL REVENUE SOURCES:

Local taxation revenue:	
Constitutional ad valorem taxes	\$ -
Renewable ad valorem tax	-
Debt services ad valorem tax	-
Up to 1% of collections by the sheriff on taxes other than school taxes	-
Result of court ordered settlement (ad valorem)	-
Penalties/interest on ad valorem taxes	-
Taxes collected due to tax incremental financing (TIF) (ad valorem)	-
Sales and use taxes	-
	<hr/>
Total local taxation revenue	\$ -
	<hr/> <hr/>
Local earnings on investment in real property:	
Earnings from 16th Section property	-
Earnings from other real property	-
	<hr/>
Total local earnings on investment in real property	\$ -
	<hr/> <hr/>
State revenue in lieu of taxes:	
Revenue sharing - constitutional tax	\$ -
Revenue sharing - other taxes	-
Revenue sharing - excess portion	-
Other revenue in lieu of taxes	-
	<hr/>
Total state revenue in lieu of taxes	\$ -
	<hr/> <hr/>
Nonpublic textbook revenue	\$ -
	<hr/>
Nonpublic transportation revenue	\$ -
	<hr/> <hr/>

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
 EDUCATION LEVELS OF PUBLIC SCHOOL STAFF
 As of October 1, 2013

SCHEDULE 2

CATEGORY:	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	-	-	-	-	-	-	-
Bachelor's Degree	17	89%	15	88%	1	33%	-	-
Master's Degree	2	11%	2	12%	-	-	-	-
Master's Degree +30	-	-	-	-	2	67%	-	-
Specialist in Education	-	-	-	-	-	-	-	-
PhD or EdD	-	-	-	-	-	-	-	-
Total	19	100%	17	100%	3	100%	-	-

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
NUMBER AND TYPE OF PUBLIC SCHOOLS
For the Year Ended June 30, 2014

SCHEDULE 3

<u>Type</u>	<u>Number</u>
Elementary	1
Middle/Junior High	1
Secondary	-
Combination	-
	<hr/>
Total	2
	<hr/> <hr/>

Note: Schools opened or closed during the fiscal year are included in this schedule.

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
 EXPERIENCE OF PUBLIC PRINCIPALS, ASSISTANT PRINCIPALS
 AND FULL-TIME CLASSROOM TEACHERS
 As of October 1, 2013

SCHEDULE 4

	0-1 Years	2-3 Years	4-10 Years	11-14 Years	15-19 Years	20-24 Years	25+ Years	Total
Assistant principals	-	-	-	1	-	-	-	1
Principals	-	-	1	-	-	-	1	2
Classroom teachers	19	10	4	1	-	1	1	36
Total	19	10	5	2	-	1	2	39

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
PUBLIC SCHOOL STAFF DATA - AVERAGE SALARIES
For the Year Ended June 30, 2014

SCHEDULE 5

	<u>All Classroom Teachers</u>	<u>Classroom Teachers Excluding ROTC, Rehired Retirees and Flagged Salary Reductions</u>
Average classroom teachers' salary including extra compensation	\$ <u>38,660</u>	\$ <u>38,660</u>
Average classroom teachers' salary excluding extra compensation	\$ <u>34,729</u>	\$ <u>34,729</u>
Number of teacher full-time equivalents (FTE's) used in computation of average salaries	<u>36</u>	<u>36</u>

NOTE: Figures reported include all sources of funding (i.e., federal, state and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
 CLASS SIZE CHARACTERISTICS
 As of October 1, 2013

SCHEDULE 6

	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
SCHOOL TYPE:								
Elementary	33%	4	100%	25	-	-	-	-
Elementary/activity classes	-	-	-	-	-	-	-	-
Middle/Junior High	67%	8	-	-	-	-	-	-
Middle/Junior High activity classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High activity classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination activity classes	-	-	-	-	-	-	-	-
Total	<u>100%</u>	<u>12</u>	<u>100%</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades kindergarten through 3 is 26 students and maximum enrollment in grades 4 through 12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
LOUISIANA EDUCATIONAL ASSESSMENT PROGRAM (LEAP)
For the Year Ended June 30, 2014

SCHEDULE 7

District Achievement Level Results Students	English Language Arts						Mathematics					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4:												
Advanced	-	-	1	2%	-	-	7	10%	1	1%	-	-
Mastery	17	23%	15	23%	-	-	24	35%	10	15%	-	-
Basic	39	55%	26	39%	-	-	38	48%	27	41%	-	-
Approaching basic	13	16%	16	24%	-	-	10	7%	13	20%	-	-
Unsatisfactory	8	6%	8	12%	-	-	-	-	15	23%	-	-
Total	77	100%	66	100%	-	-	79	100%	66	100%	-	-

District Achievement Level Results Students	Science						Social Studies					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4:												
Advanced	-	-	2	3%	-	-	1	1%	-	-	-	-
Mastery	6	9%	8	12%	-	-	9	13%	5	8%	-	-
Basic	40	52%	28	42%	-	-	37	52%	32	48%	-	-
Approaching basic	32	39%	17	26%	-	-	22	28%	16	24%	-	-
Unsatisfactory	-	-	11	17%	-	-	8	6%	13	20%	-	-
Total	78	100%	66	100%	-	-	77	100%	66	100%	-	-

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.
GRADUATION EXIT EXAMINATION (GEE)
For the Year Ended June 30, 2014

SCHEDULE 8

The Graduation Exit Examination is no longer administered. This schedule is no longer applicable.

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.

iLEAP TESTS

For the Year Ended June 30, 2014

SCHEDULE 9

District Achievement Level Results Students	English Language Arts						Mathematics					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3:												
Advanced	1	1%	1	2%	-	-	2	2%	-	-	-	-
Mastery	11	13%	18	28%	-	-	7	8%	8	12%	-	-
Basic	26	30%	29	45%	-	-	42	48%	42	66%	-	-
Approaching basic	30	34%	11	17%	-	-	26	30%	13	20%	-	-
Unsatisfactory	19	22%	5	8%	-	-	10	11%	1	2%	-	-
Total	87	100%	64	100%	-	-	87	100%	64	100%	-	-

District Achievement Level Results Students	English Language Arts						Mathematics					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5:												
Advanced	3	5%	2	5%	-	-	1	2%	-	-	-	-
Mastery	7	11%	8	16%	-	-	2	3%	8	17%	-	-
Basic	41	61%	28	57%	-	-	41	62%	27	55%	-	-
Approaching basic	16	19%	10	20%	-	-	13	17%	8	16%	-	-
Unsatisfactory	3	5%	1	2%	-	-	11	17%	6	12%	-	-
Total	70	100%	49	100%	-	-	68	100%	49	100%	-	-

District Achievement Level Results Students	English Language Arts						Mathematics					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6:												
Advanced	1	9%	2	3%	-	-	4	7%	4	6%	-	-
Mastery	8	16%	9	13%	-	-	3	9%	10	15%	-	-
Basic	27	40%	44	65%	-	-	29	63%	37	54%	-	-
Approaching basic	17	28%	12	18%	-	-	14	18%	12	18%	-	-
Unsatisfactory	3	7%	1	1%	-	-	6	4%	5	7%	-	-
Total	56	100%	68	100%	-	-	56	100%	68	100%	-	-

District Achievement Level Results Students	English Language Arts						Mathematics					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7:												
Advanced	1	3%	-	-	-	-	1	1%	-	-	-	-
Mastery	17	25%	-	-	-	-	8	12%	-	-	-	-
Basic	35	48%	-	-	-	-	46	63%	-	-	-	-
Approaching basic	16	22%	-	-	-	-	11	16%	-	-	-	-
Unsatisfactory	2	3%	-	-	-	-	5	7%	-	-	-	-
Total	71	100%	-	-	-	-	71	100%	-	-	-	-

See individual accountant's report on applying agreed-upon procedures.

SOUTHWEST LOUISIANA CHARTER ACADEMY FOUNDATION, INC.

iLEAP TESTS

For the Year Ended June 30, 2014

(CONTINUED)

SCHEDULE 9

District Achievement Level Results Students	Science						Social Studies					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3:												
Advanced	1	1%	2	3%	-	-	-	-	-	-	-	-
Mastery	4	5%	4	6%	-	-	2	2%	6	9%	-	-
Basic	23	26%	36	56%	-	-	31	36%	34	53%	-	-
Approaching basic	29	33%	17	27%	-	-	26	30%	16	25%	-	-
Unsatisfactory	30	34%	5	8%	-	-	28	32%	8	13%	-	-
Total	87	100%	64	100%	-	-	87	100%	64	100%	-	-

District Achievement Level Results Students	Science						Social Studies					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5:												
Advanced	-	-	1	2%	-	-	-	-	2	4%	-	-
Mastery	4	6%	4	8%	-	-	4	6%	2	4%	-	-
Basic	42	66%	23	47%	-	-	40	63%	24	49%	-	-
Approaching basic	13	20%	19	39%	-	-	14	22%	13	27%	-	-
Unsatisfactory	5	8%	2	4%	-	-	6	9%	8	16%	-	-
Total	64	100%	49	100%	-	-	64	100%	49	100%	-	-

District Achievement Level Results Students	Science						Social Studies					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6:												
Advanced	4	2%	1	1%	-	-	4	9%	5	7%	-	-
Mastery	9	16%	11	17%	-	-	4	5%	5	7%	-	-
Basic	25	47%	28	41%	-	-	37	51%	32	47%	-	-
Approaching basic	19	30%	24	35%	-	-	11	25%	19	28%	-	-
Unsatisfactory	4	5%	4	6%	-	-	2	11%	7	11%	-	-
Total	61	100%	68	100%	-	-	58	100%	68	100%	-	-

District Achievement Level Results Students	Science						Social Studies					
	2014		2013		2012		2014		2013		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7:												
Advanced	-	-	-	-	-	-	3	4%	-	-	-	-
Mastery	11	16%	-	-	-	-	9	13%	-	-	-	-
Basic	27	40%	-	-	-	-	33	49%	-	-	-	-
Approaching basic	23	34%	-	-	-	-	17	25%	-	-	-	-
Unsatisfactory	6	9%	-	-	-	-	5	7%	-	-	-	-
Total	67	100%	-	-	-	-	67	100%	-	-	-	-

See individual accountant's report on applying agreed-upon procedures.