

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.

REPORT

JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 08 2012**

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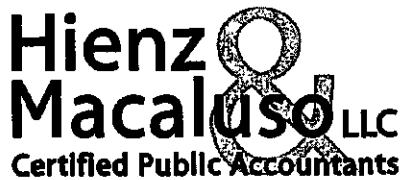
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
New Orleans Military and Maritime Academy, Inc.

January 31, 2012

We have reviewed the accompanying statement of financial position of New Orleans Military and Maritime Academy, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the period August 3, 2009 (inception) through June 30, 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Hienz & Macaluso, LLC
Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ <u>111,268</u>
Total current assets	<u>111,268</u>
Total assets	<u>\$ <u>111,268</u></u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ <u>-</u>
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>

Net assets

Unrestricted net assets	-
Temporarily restricted net assets	111,268
Permanently restricted net assets	<u>-</u>
Total net assets	<u>111,268</u>
Total liabilities and net assets	<u>\$ <u>111,268</u></u>

See independent accountant's review report.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE PERIOD AUGUST 3, 2009 (INCEPTION) THROUGH JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Grants	\$ -	\$ 250,000	\$ -	\$ 250,000
Contributions and donations	10,023	-	-	10,023
Net Assets Released from Restrictions	138,732	(138,732)	-	-
Total Revenue	148,755	111,268	-	260,023
Expenses				
Support services				
School administration	84,961	-	-	84,961
Business administration	17,584	-	-	17,584
Central services	45,497	-	-	45,497
Purchased property services	650	-	-	650
Other uses of funds	63	-	-	63
Total Support Services	148,755	-	-	148,755
Total expenses	148,755	-	-	148,755
Change in net assets	-	111,268	-	111,268
Net assets, beginning of period	-	-	-	-
Net assets, end of period	\$ -	\$ 111,268	\$ -	\$ 111,268

See independent accountant's review report.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD AUGUST 3, 2009 (INCEPTION) THROUGH JUNE 30, 2011

Cash Flows from Operating activities	
Change in net assets	\$ 111,268
Net cash provided by operating activities	<u>111,268</u>
Net increase in cash and cash equivalents	111,268
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 111,268</u>

See independent accountant's review report.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Organization

New Orleans Military and Maritime Academy, Inc. (the School) was created as a non-profit organization under the laws of the State of Louisiana. The School applied to the Louisiana Board of Elementary and Secondary Education (BESE) to operate a Type 2 charter school. On May 20, 2011, BESE approved the charter. The charter was granted for a minimum of five years.

The School leases its space rent free from the Louisiana Recovery School District.

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 School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets – limited only by the broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors and others entered into by the organization in the course of its business.

Temporarily Restricted Net Assets – assets whose restrictions lapse with the passage of time.

Permanently Restricted Net Assets – assets whose restrictions do not lapse with the passage of time.

Presently, the School has no permanently restricted net assets.

Use of Estimates

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

Revenues

The School's primary source of revenues was private donations during the initial startup period.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Property and Equipment

Property and equipment are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

Income Taxes

The School is operating under Section 501(c)(3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School has considered all unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Note 2 – Cash and Cash Equivalents

As of June 30, 2011, cash consists of demand deposits in a local bank of \$111,268.

Note 3 – Concentrations

The School received 96% of its total revenues from a private donor.

The School maintains cash balances at a local bank. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, these accounts may exceed the federally insured limits.

As noted earlier, the School is leasing its space from the Louisiana Recovery School District rent free. Should this lease not be extended, it may have an unfavorable impact on the School.

Note 4 – Expense Allocation

The costs of providing 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 supporting services benefited.

Note 5 - Board Member Compensation

Board members are not compensated for their service; therefore a schedule of board members and compensation is not presented.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

Specific purpose grant	<u>\$111,268</u>
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Net assets were released from donor restrictions by incurring the purpose specified by donors as follows:

Walton Family Foundation	<u>\$138,732</u>
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Note 7 – Uncertain Income Taxes

The School has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASC ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities.

As of January 31, 2012, the School has been approved for an extension to file their 2010 tax return. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit period is 2010. Management has evaluated the School's tax position and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 8 – Property and Equipment

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were acquired. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, any assets purchased with those funds will revert back to the State of Louisiana.

Note 9 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the School expects any such amounts to be immaterial.

Note 10 – Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, January 31, 2012, and determined that the following events occurred that require disclosure:

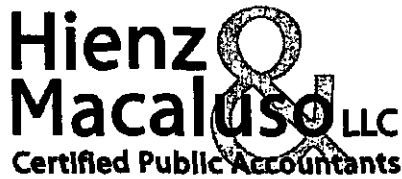
NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 10 – Subsequent Events (continued)

On January 19, 2012, the Louisiana State Bond Commission approved the issuance of up to \$11 million in Revenue Bonds to finance the location of the permanent operations of the School at Federal City, including the design, rehabilitation, demolition, construction and equipping of buildings with a combination of classrooms, halls and office and/or conference rooms and related site improvements and to fund a debt reserve fund.

Note 11 – Related Party Transactions

The School received in-kind donations from the firm of the current president of the Board of Directors. During the initial period ended June 30, 2011, the School was provided office rent, utilities and professional services totaling \$10,023, which is recorded in the accompanying financial statements.



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
New Orleans Military and Maritime Academy, Inc.

January 31, 2012

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of New Orleans Military and Maritime Academy, Inc., the Louisiana Legislative Auditor, and the Louisiana Department of Education and/or Louisiana Board of Elementary and Secondary Education, as applicable, solely to assist the users in evaluating management's assertions about New Orleans Military and Maritime Academy, Inc.'s compliance with certain laws and regulations during the period ended June 30, 2011 included in the accompanying *Louisiana Attestation Questionnaire*. Management of New Orleans Military and Maritime Academy, Inc. is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. 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.

Administration

1. Obtain a listing of all members of the governing or management board.

Management provided us with the required listing.

2. Randomly select six disbursements made to members of the governing or management board.

- Trace the six disbursements to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six disbursements selected and found that payment was for the proper amount and made to the correct payee.

- Determine whether the disbursements were incurred while fulfilling duties as a member of the board.

We examined supporting documentation for each of the six disbursements and found that payment was for expenses incurred while performing duties required as a board member.

3. Ascertain whether a religious organization shares building space with the school.

We performed a walk-through of the school and verified that a religious organization is not located in the same building as the charter school.

4. Randomly select six disbursements and verify that the payments were made for expenditures incurred by and on behalf of the charter school.

We examined supporting documentation for each of the six disbursements, and found that payment was for expenditures incurred by and on behalf of the charter school.

Student Admissions

5. Obtain a copy of the school's admission requirements.

Management provided us with the admission requirements.

6. Determine the school's jurisdiction as described in the charter agreement.

We reviewed the charter agreement and found that the school's jurisdiction coincides with that of the metropolitan New Orleans area.

- Randomly select a sample of 12 students and verify that documentation supports that the students satisfied the school's admission requirements.

We reviewed the student files of the 12 students selected and verified that each satisfied the school's admission requirements.

- Determine that documentation exists to ensure that the 12 students reside within the school's jurisdiction.

We reviewed the student files of the 12 students selected and verified that each student's address and other information contained in the file supports that the student resides within the school's jurisdiction.

Instructional Staff

7. Obtain a listing of the school's instructional staff who are certified and a listing of the instructional staff who are not certified.

Not applicable. No instructional staff were hired during the period in question.

- Verify that the listings demonstrate that at least 75% of the instructional staff are certified by the State Board of Elementary and Secondary Education or the French Ministry of Education; or, if a Type 5 charter school, has complied with the staff certification requirements found in R.S. 17:3991 (C) (6) (b).

Not applicable.

- Randomly select six names from the listing of instructional staff appearing on the listing of certified staff.
- Trace the six staff names to documentation indicating that they meet the certification requirements.

Not applicable.

Fixed Assets

8. Obtain a listing of fixed assets.

Not applicable.

9. Randomly select a sample of six assets and verify the source of funds used to acquire the assets.

Not applicable.

Open Meetings Law

10. Examine evidence indicating that agenda for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:1 through 42:13.

We examined the notices for meetings recorded in the minute book indicating that they were posted as an open meeting as required by R.S. 42:1 through 42:13.

Public Bid Law

11. Select all expenditures made during the year that exceeded \$100,000, where the expenditures were for the erection, construction, alteration, improvement of a public facility or immovable property, and determine whether such purchase were made in accordance with the public bid law.

Not applicable.

State Audit Law

12. Verify that the school provided for a timely report in accordance with R.S. 24:513.

This review/attestation report is not being completed and submitted within six months of the charter school's fiscal year end. See management's corrective action plan.

General

13. Obtain the school's approved charter and compare actual operations with those contained in the approved charter.

Our review of the school's charter, which was approved on May 20, 2011, and the school's operations indicate that it appears that operations of the school do agree with the school's role, scope, and mission as defined in the approved charter.

Prior Comments and Recommendations

14. Not applicable. This was the initial period of existence of the school.

We were not engaged to perform, and did not perform, an audit, 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 use of management of New Orleans Military and Maritime Academy, Inc., the Louisiana Legislative Auditor, and the Louisiana Department of Education and/or the Louisiana State Board of Elementary and Secondary Education, as applicable, 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.

Hienz & Macaluso, LLC
Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SCHEDULE OF FINDINGS
JUNE 30, 2011

2011-01 Late Submission of Review/Attestation Report

Under Louisiana statute, the School was required to complete and submit a review/attestation report within six months of the School's year end. The School did not meet the deadline for submitting the report to the Legislative Auditor, resulting in noncompliance with Louisiana laws.

Management's Response

A business manager was hired on July 2, 2011. As a result, the accounting records for the fiscal year had not been closed out on a timely basis. Subsequent to the business manager's hiring, policies and procedures have been implemented to ensure that the accounting records are closed promptly at the conclusion of each period.

2011-02 Accurate and Timely Financial Reporting (Management Letter)

Management needs improved internal controls over the financial reporting process, including preparing the financial statements and recording recurring and nonrecurring adjustments to the financial statements.

Management's Response

A business manager was hired on July 2, 2011. Subsequent to this date, the business manager has implemented internal controls, including the process of acquiring appropriate accounting software, to ensure that financial statements are recorded on an accurate and timely basis.

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Charter Schools)**

_____ (Date Transmitted)

Hienz & Macaluso, LLC
110 Veterans Memorial Blvd., Suite 170
Metairie, LA 70005

In connection with your review of our financial statements as of 6/30/11 (date) and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with these laws and regulations prior to making these representations.

These representations are based on the information available to us as of 1/30/12 (date completed/date of the representations).

Administration

It is true that no member of the governing or management board has received any compensation other than reimbursement of actual expenses incurred while fulfilling duties as a member of such board [R.S. 17:3991(A)(1)(b)].

The school is not affiliated with any religion or religious organization or institution [R.S. 17:3991(E)(1)].

Yes [] No []

Student Admissions

Student admission requirements, if any, include a system for appropriate admission decisions and the requirements have been applied on a consistent basis [R.S. 17:3991(B)(1)(c)(3)].

It is true that all students reside within the jurisdiction of the school as described in the charter agreement [R.S. 17:3991(C)(1)(a)].

Yes [] No []

Instructional Staff

At least 75% of the instructional staff have been certified by the State Board of Elementary and Secondary Education or the French Ministry of Education [R.S. 17:3991(C)(1)(c)(6)(a)].

Yes [] No []

As a type 5 charter school, if applicable, we have complied with the staff certification requirements found in R. S. 17:3991 (C) (6) (b).

N/A

Fixed Assets

Yes, as a Type 4 charter school, if applicable, we have maintained records of fixed assets that clearly identify those assets belonging to the local school board [R.S. 17:3391(H)].

Yes, as a Type 1, Type 2, Type 3 or Type 5 charter school, if applicable, we have maintained records of fixed assets that clearly identify those assets acquired with public funds, which, if the school ceases to operate, become the property of the chartering authority [R.S. 17:3391(H)].

Yes No

N/A

Open Meetings Law

We have complied with the laws pertaining to open and public meetings (R.S. 42:4.1 through 42:13).

Yes No

Public Bid Law

It is true that we obtained bids for any erection, construction, alteration, improvement, or repair of a public facility or immovable property (R.S. 38:2211 through 38:2259).

Yes No

N/A

State Audit Law

It is true that we have provided a review/attestation report to the Legislative Auditor in accordance with and within the timeframe established by the state audit law (R.S. 24:513).

Yes No

General

It is true that the actual operations of the school agree with those specified in its approved charter (See Charter).

Yes No

The previous responses have been made to the best of our belief and knowledge.

[Signature] Secretary 31 JAN 2012 Date

N/A Treasurer N/A Date

[Signature] President 30 Jan 2012 Date

Hienz & Macaluso LLC
Certified Public Accountants

ROBERT W. HIENZ, C.P.A.
ANTHONY J. MACALUSO, JR., C.P.A.

DAVID V. ERNST

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To the Board of Directors
New Orleans Military and Maritime Academy, Inc.

January 31, 2012

We have completed our review of the financial statements of New Orleans Military and Maritime Academy, Inc. for the initial period ended June 30, 2011. During our engagement, the following matter came to our attention that we believe merits your attention.

2011-02 Accurate and Timely Financial Reporting

We noted that management was lacking appropriate internal controls over the financial reporting process, including preparing the financial statements and recording recurring and nonrecurring adjustments to the financial statements. We recommend that management institute the necessary internal controls to ensure that the financial reporting process is completed on an accurate and timely basis, including the acquisition of appropriate accounting software.

This report is intended solely for the use of the Board of Directors, management, the Louisiana Legislative Auditor, and any cognizant agencies, and is not intended and should not be used for any other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA