

NEW ORLEANS MILITARY AND MARITIME ACADEMY

AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

January 6, 2014

To the Board of Directors
New Orleans Military and Maritime Academy

Report on the Financial Statements

We have audited the accompanying financial statements of New Orleans Military and Maritime Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related 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 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 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 New Orleans Military and Maritime Academy as of June 30, 2013, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2014, on our consideration of New Orleans Military and Maritime Academy'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 New Orleans Military and Maritime Academy's internal control over financial reporting and compliance.

Hienz & Macaluso, LLC

Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current Assets

Unrestricted cash and cash equivalents	\$ 166,669
Restricted cash	759,034
Promise to give	305,208
Accounts receivable	41,590
Investments	2,922
Total current assets	<u>1,275,423</u>

Noncurrent Assets

Note receivable	13,158,965
Bond issuance cost	470,955
Loan issuance cost	51,830
Property and equipment, net	27,418
Total noncurrent assets	<u>13,709,168</u>
Total assets	<u>\$ 14,984,591</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 17,551
Accrued salaries and benefits	118,912
Compensated absences	5,012
Accrued interest payable (payable from restricted assets)	1,022
Loan Payable	3,600,000
Total current liabilities	<u>3,742,497</u>

Noncurrent Liabilities

Bond payable	<u>11,000,000</u>
Total noncurrent liabilities	<u>11,000,000</u>
Total liabilities	<u>14,742,497</u>

Net assets

Unrestricted net assets	(63,114)
Temporarily restricted net assets	305,208
Total net assets	<u>242,094</u>
Total liabilities and net assets	<u>\$ 14,984,591</u>

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
State public school funding	\$ 2,047,715	\$ -	\$ -	\$ 2,047,715
Federal funding	239,051	-	-	239,051
Grants	-	546,105	-	546,105
Contributions and donations	810,595	-	-	810,595
Other income	473,893	-	-	473,893
Other state funding	2,448	-	-	2,448
Net assets released from restrictions	240,897	(240,897)	-	-
	-	-	-	-
Total Revenue	3,814,599	305,208	-	4,119,807
Expenses				
Instructional Services				
Regular programs	1,631,361	-	-	1,631,361
School administration	429,597	-	-	429,597
Other instructional programs	371,896	-	-	371,896
Pupil support services	77,960	-	-	77,960
Special education programs	70,310	-	-	70,310
Instructional staff services	147	-	-	147
	-	-	-	-
Total Instructional Services	2,581,271	-	-	2,581,271
Support services				
Debt service	574,690	-	-	574,690
Operation and maintenance of plant service	268,017	-	-	268,017
Student transportation services	117,264	-	-	117,264
Business services	85,664	-	-	85,664
Central services	42,872	-	-	42,872
Food services	22,620	-	-	22,620
Enterprise operations	22,562	-	-	22,562
General administration	22,435	-	-	22,435
Facility acquisition & construction	10,268	-	-	10,268
Other services	5,931	-	-	5,931
	-	-	-	-
Total Support Services	1,172,323	-	-	1,172,323
	-	-	-	-
Total expenses	3,753,594	-	-	3,753,594
Change in net assets	61,005	305,208	-	366,213
Net assets, beginning of period	(124,119)	-	-	(124,119)
Net assets, end of period	\$ (63,114)	\$ 305,208	\$ -	\$ 242,094

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows from Operating activities	
Change in net assets	\$ 366,213
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	22,435
Increase in accounts receivable	(41,590)
Increase in grant receivable	(305,208)
Increase in bond issuance cost	(470,955)
Increase in loan issuance cost	(51,830)
Decrease in accounts payable	(69,012)
Interest payable	1,022
Decrease in compensated absences	(15,305)
Decrease in accrued salaries and benefits	(5,563)
Total adjustments	<u>(936,006)</u>
Net cash used by operating activities	<u>(569,793)</u>
Cash Flows from Investing Activities	
Disbursement to fund leverage loan	(13,158,965)
Purchase of investment	(2,922)
Purchase of property and equipment	-
Net cash used in investing activities	<u>(13,161,887)</u>
Cash Flows from Financing Activities	
Proceeds from bonds	3,600,000
Proceeds from loan	11,000,000
Proceeds from line of credit	10,000
Payments to line of credit	(55,000)
Net cash provided by financing activities	<u>14,555,000</u>
Net increase in cash and cash equivalents	823,320
Cash and cash equivalents, beginning of period	<u>102,383</u>
Cash and cash equivalents, end of period	<u><u>\$ 925,703</u></u>
 <i>Reconciliation to Statement of Financial Position</i>	
Unrestricted cash and cash equivalents	166,669
Restricted cash	<u>759,034</u>
Cash and cash equivalents as per Statement of Cash Flows	<u><u>925,703</u></u>

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – Summary of Significant Accounting Policies

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 serves eligible students in the ninth and tenth grade.

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 sources of funding are through the State Public School Fund and federal grants, as well as private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 restricted and unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Bond Issuance Costs

Bond issuance costs associated with the Qualified School Construction Bonds and Qualified Zone Academy Bonds issued by the Louisiana Community Development Authority have been accounted for as a deferred charge (an asset) and are amortized over the life of the bonds.

Loan Issuance Costs

Loan issuance costs associated with the Bridge Loan Agreement provided by New Orleans Federal Alliance have been accounted for as a deferred charge (an asset) and are amortized over the life of the loan.

Note Receivables

Notes receivable are reported at their outstanding principal balance. Notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. Interest income is recognized when earned.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the School, that is in substance, unconditional. Contributions that are restricted by the donor are reported in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The School uses the allowance method to determine uncollectible promises to give.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – Summary of Significant Accounting Policies (continued)

Paid Time Off

The principal and commandant are eligible to earn paid time off in addition to school holidays and break periods. Paid time off begins to accrue on the first day an employee works for the school. Unused paid time off is rolled over to the following year. As of June 30, 2013, the School's liability for paid time off was \$5,012.

NOTE 2 – Cash and cash equivalents

As of June 30, 2013, cash consists of demand deposits in a local bank of \$925,703.

Cash in the amount of \$759,034 is restricted for the leverage loan associated with the construction of the school's permanent campus.

NOTE 3 – Line of Credit

Effective May 4, 2012, the School obtained a variable rate revolving line of credit in the amount of \$100,000 maturing in one (1) year from the effective date. At the time of execution, the initial interest rate was calculated as 2.989% per annum. The balance as of June 30, 2013, was \$0.

NOTE 4 – Concentrations

The School received approximately 66% of its total revenues from Federal and State grantors.

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

The School leases its facility located in New Orleans, LA, referred to as the H-100 Building of "Federal City". The lease is effective August 13, 2012, expiring the date in which the certificate of occupancy is issued for the School's permanent and newly constructed campus located in "Federal City". The base rent is stated at \$1 per year with a value of \$696,000 annually. The expiration of this agreement could have a negative impact on the School. See NOTE 16 and NOTE 18 for further discussion.

NOTE 5 – 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.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – Retirement Plan

Effective January 1, 2012, the School executed a Multiple Employer Participation Agreement, electing to become a participating employer in a multiple employer 401(k) plan for all regular employees who are 21 years of age or older. An employee becomes eligible to participate in the plan upon completing one (1) month of service. Contributions to the plan are made by way of pre-tax salary deferrals and are made at the sole discretion of the employee up to the maximum amount allowed by federal law. The School will make a matching contribution equal to 50% of participant's elective deferrals, but not to exceed 6% of participant compensation; and profit sharing contributions at the discretion of the School. All employees are immediately vested in matching contributions. There is a 3-year vesting period for employer profit-sharing contributions. For the period ended June 30, 2013, the School recorded retirement contributions in the amount of \$9,996.

NOTE 7 – 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 8 – Board Member's Compensation

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

NOTE 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Periods after June 30, 2013	\$305,208
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified and /or time restriction by donors as follows:

United States Marine Corps: ROTC teacher salaries	\$240,897
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NOTE 10 – Uncertain Income Taxes

The School 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.

The School's 2010-2011 tax return has been filed appropriately. As of January 6, 2014, the School has been approved for an extension to file their 2012 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 2010-2011.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 – Uncertain Income Taxes (continued)

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 11– Property and Equipment

Net property and equipment consist of the following:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Machinery and Equipment	\$ 67,216	\$ -	\$ -	\$ 67,216
Less: Accumulated Depreciation	(17,363)	(22,435)	-	(39,798)
	\$ 49,853	\$ (22,435)	\$ -	\$ 27,418

Depreciation expense for the year ended June 30, 2013 was \$22,435. Depreciation is calculated using the straight line method with useful lives of 5 years.

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 12– Note Receivable

Effective October 31, 2012, the School entered into a “leverage loan” agreement with DV-NOMMA QEI, LLC (Investment Fund), in the amount of \$13,158,965, in order to invest in SECDE SUB III, LLC and DV CDE VII, LLC in connection with financing the construction of the charter school located at 425 O’Bannon Street, New Orleans, LA 70146, on the Federal City Campus. As per the terms of the agreement the note bears interest at a fixed rate equal to 1.331355% on the unpaid principal, and calculated on a quarterly basis. Interest only will be payable quarterly commencing on December 25, 2012 through October 25, 2019. Effective December 25, 2019, DV-NOMMA QEI, LLC will make principal and interest payments through October 30, 2034 (the Maturity Date). Interest income for the year ending June 30, 2013 was \$116,795.

NOTE 13– Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13– Promises to Give (continued)

assets are reclassified to unrestricted net assets. Management does not estimate any amounts to be uncollectible. Unconditional promises to give due in more than one year are recognized at fair value, using a discount rate of 3.25%, when the donor makes an unconditional promise to give to the organization.

Unconditional promises to give consist of the following:

Unconditional promises to give	\$ 311,000
Less: Unamortized discount (3.25%)	<u>(5,972)</u>
Net unconditional promises to give	<u><u>305,028</u></u>
Amounts due in:	
Less than one year	\$ 127,237
One to five years	<u>177,791</u>
	<u><u>\$ 305,028</u></u>

NOTE 14– Note Payable

On October 31, 2012, the School entered into a ‘Bridge Loan Agreement’ with New Orleans Federal Alliance (NOFA) in the amount of \$3,600,000, to assist in funding a ‘Leverage Loan’ for the renovation and rehabilitation to the land and building located at 425 O’ Bannon Street, New Orleans, LA 70146, on the Federal City Campus, for the charter school facility. The note matures thirty (30) days after the Project Developer receives a final Part 3 Certification of Historic Preservation Certification of Historic Preservation Certification Application, ‘Request for Certification of Completed Work’ issued and signed by the National Park Service. A debt forgiveness clause states that the entire principal balance shall be forgiven in the event the Historic Tax Credit proceeds are less than the principal amount of the Bridge Loan or if the maturity date has not occurred prior to October 26, 2014. See further discussion in NOTE 18.

The note does not bear interest.

NOTE 15 – Bonds Payable

The Louisiana Local Government Environmental Facilities and Community Development Authority (‘LCDA’) issued \$3,000,000 of its Revenue Bonds as Qualified Construction Bonds (Series 2012A Bonds) and \$8,000,000 of its Revenue Bonds as Qualified Zone Academy Bonds (series 2012B Bonds) upon the request of New Orleans Military and Maritime Academy with the proceeds of the sale to be loaned to the School for the purpose of facilitating the financing of the permanent location for operation of a charter school.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15 – Bonds Payable (continued)

Under the terms of the loan and assignment agreement between LCDA and the School, the loan was effective upon the closing of the Bonds and shall terminate on the date on which the Bonds have been paid. The School is responsible for making all interest and principal payments to the trustee as per the bond schedule, with a maturity date of October 31, 2034. The interest rate is 4.21% plus a supplemental coupon during construction at 2.93%.

On October 31, 2012, Whitney Bank as bond trustee transferred the proceeds to the School. The proceeds, as well as the proceeds described in NOTE 14, were used to invest in the DV-NOMMA QEI, LLC in connection with financing the construction of the charter school located at 425 O’Bannon Street, New Orleans, LA 70146, on the Federal City Campus (See NOTE 12).

Interest expense for the year ended June 30, 2013 was \$527,963.

A summary of changes in long-term liabilities follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>	<u>Amounts due within one year</u>
Bonds Payable	\$ -	\$ 11,000,000	\$ -	\$ 11,000,000	\$ -
	<u>\$ -</u>	<u>\$ 11,000,000</u>	<u>\$ -</u>	<u>\$ 11,000,000</u>	<u>\$ -</u>

Scheduled debt service payments, including interest, on NOMMA Project Series 2012 Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	-	634,263	634,263
2015	-	469,532	469,532
2016	-	470,818	470,818
2017	-	469,532	469,532
2018	-	469,532	469,532
2019-2023	-	2,348,946	2,348,946
2024-2028	-	2,350,233	2,350,233
2029-2033	-	2,348,946	2,348,946
2034-2035	11,000,000	627,758	11,627,758
	<u>11,000,000</u>	<u>10,189,560</u>	<u>21,189,560</u>

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16 – Lease Agreement

The School leases its facility located in New Orleans, LA, referred to as the H-100 Building of the Federal City campus. The lease is effective August 13, 2012, expiring the date in which the certificate of occupancy is issued for the School's permanent and newly constructed campus located in Federal City. The base rent is stated at \$1 per year with a fair value of \$696,000 annually. Facility donation is recorded in the Statement of Activities as contributions and donations.

Lease expense for the year ended June 30, 2013 was \$696,000.

The School entered into a lease agreement effective October 31, 2012 with NOMMA Real Estate, LLC. The lease term shall commence on January 1, 2014 and end December 31, 2023 with an option to extend for an additional five (5) years. Payments under the lease are \$89,501 quarterly with the first payment due March 10, 2014.

Future minimum payments under this lease are as follows:

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2014	\$ 358,005
June 30, 2015	365,165
June 30, 2016	372,325
June 30, 2017	380,201
June 30, 2018	387,361
June 30, 2019-Thereafter	<u>11,756,949</u>
Total	<u>\$ 13,620,006</u>

NOTE 17 – Related Party Transactions

NOMMA Investments, Inc. (a corporation) is a subsidiary of New Orleans Military and Maritime Academy. NOMMA Investment, Inc. owns 99% of NOMMA Real Estate, LLC as of June 30, 2013. NOMMA Investment, Inc. and NOMMA Real Estate, LLC share the same governing body as the School. Both entities were formed in connection with the construction and lease of the permanent campus for the School. The following transactions occurred between the School and the related entities:

The School entered into a lease agreement with NOMMA Real Estate, LLC. See NOTE 16. The School recorded \$2,922 in investments to NOMMA Investment, Inc. as capital contributions.

NOTE 18 – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 6, 2014, and determined that the following events occurred that require disclosure:

NEW ORLEANS MILITARY AND MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 18 – Subsequent Events (continued)

Effective August 27, 2013, the School entered into a 12 month business loan agreement with Iberia Bank in the amount of \$250,000 with a fixed interest rate of 4.250%.

As of the date of this report, the School anticipates a forgiveness of debt in the amount of \$3,600,000 from New Orleans Federal Alliance in connection with the note payable at June 30, 2013. See Note 14.

Prior to the date of this report, the School moved to its newly constructed facility located 425 O'Bannon Street, on the Federal City campus. The closing for the facility is expected to take place in January 2014.



**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***

January 6, 2014

To the Board of Directors
New Orleans Military and Maritime Academy

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 New Orleans Military and Maritime Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 January 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Orleans Military and Maritime Academy'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 New Orleans Military and Maritime Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 New Orleans Military and Maritime Academy'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Hienz & Macaluso, LLC

Metairie, LA

**NEW ORLEANS MILITARY AND MARITIME ACADEMY
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no findings as of June 30, 2013.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2013.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
SCHEDULE OF PRIOR PERIOD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Internal Control and Compliance Material to the Financial Statements:

2012 –01 Misappropriation of Assets

Management is responsible for establishing and maintaining efficient and effective internal controls over financial reporting to detect errors due to fraud and/or misstatement, in a timely manner. During the course of our audit, we noted that management discovered a misappropriation in the amount of \$31,000 that was detected after the termination of a key employee. Management converted to a computerized accounting software in July 2012. In the process of entering transactions from the prior year, two checks were identified as fraudulent. A police report was filed in November 2012, charges are pending.

This finding was resolved during the current year.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2012.



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

January 6, 2014

To the Board of Directors
New Orleans Military and Maritime Academy

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of New Orleans Military and Maritime Academy (the School) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data 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). This agreed-upon procedures engagement was performed in accordance with 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.

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

PROCEDURES AND FINDINGS

**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 reported on the schedule:
 - ❖ Total General Fund Instructional Expenditures;
 - ❖ Total General Fund Equipment Expenditures;
 - ❖ Total Local Taxation Revenues;
 - ❖ Total Local Earnings on Investment in Real Property;
 - ❖ Total State Revenue in Lieu of Taxes;
 - ❖ Nonpublic Textbook Revenue; and
 - ❖ Nonpublic Transportation Revenue.

We reviewed the supporting documentation for the selected transactions and determined that they were classified correctly and reported in the proper amounts on the appropriate schedule.

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 the School’s supporting payroll records as of October 1, 2012.

Finding: None

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.

Finding: None

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2012 as reported on the schedule. We traced a random sample of 25 teachers and the principals to their respective personnel file and determined if their education level was properly classified on the schedule.

Finding: None

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 of schools (only one school as reported in Schedule 3) and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Finding: None

Experience of Public 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, 2012 and as reported on the schedule and traced the same sample used in procedure 4 to the individual’s personnel file and determined if the individual’s experience was properly classified on the schedule.

Finding: None

Public School Staff Data (Schedule 5)

7. We obtained a listing 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 their personnel file and determined if their salary, extra compensation, and full-time equivalents were properly included on the schedule.

Finding: None

8. For all teachers, we recalculated the average salaries and full-time equivalents reported in the schedule.

Finding: None

Class Size Characteristics (Schedule 6)

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

Finding: None

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 on the schedule by the School.

Not applicable

The Graduation Exit Exam (Schedule 8)

11. Because this schedule only applies to grades ten and eleven, we did not obtain test scores as provided by the testing authority or reconcile scores as reported by the testing authority to scores reported in the schedule by the School.

Not applicable

The 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 scores reported in the schedule by the School.

Not applicable

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 use of the Board of Directors and management of New Orleans Military and Maritime Academy, 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.

Hienz & Macaluso, LLC
Metairie, LA

**NEW ORLEANS MILITARY AND MARITIME ACADEMY
New Orleans, Louisiana**

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2013**

Certain Local Revenue Sources

Local Taxation Revenue:

Advalorem Taxes

Constitutional Ad Valorem Taxes	\$	-
Renewable Ad Valorem Tax	\$	-
Debt Service 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 Taxes

Sales and Use Taxes - Gross	\$	-
Sales/Use Taxes - Court Settlement	\$	-
Penalties/Interest on Sales/Use Taxes	\$	-
Sales/Use Taxes Collected Due to TIF	\$	-
Total Local Taxation Revenue	\$	-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$	-
Earnings from Other Real Property	\$	-
Total Local Earnings on Investment in Real Property	\$	-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$	-
Revenue Sharing - Other Taxes	\$	-
Revenue Sharing - Excess Portion	\$	-
Other Revenue in Lieu of Taxes	\$	-
Total State Revenue in Lieu of Taxes	\$	-

Nonpublic Textbook Revenue

\$ -

Nonpublic Transportation Revenue

\$ -

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY
New Orleans, LA

Schedule 2

Education Levels of Public School Staff
 As of October 1, 2012

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree			2	15%				
Bachelor's Degree	5	63%	7	54%				
Master's Degree	2	25%	3	23%				
Master's Degree + 30								
Specialist in Education	1	13%						
Ph. D. or Ed. D.			1	8%	1	100%		
Total	8	100%	13	100%	1	100%	0	0%

See independent accountant's report on applying agreed upon procedures.

Number and Type of Schools
For the Year Ended June 30, 2013

Type	Number
Elementary	
Middle Jr. High	
Secondary	1
Combination	
Total	1

See independent accountant's report on applying agreed upon procedures.

Experience of Public Principals, Assistant Principals and Full time Classroom Teachers
 As of October 1, 2012

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals								
Principals							1	1
Classroom Teachers	5	3	9		1		3	21
Total	5	3	9	0	1	0	4	22

See independent accountant's report on applying agreed upon procedures.

Public School Staff Data: Average Salaries
 For the Year Ended June 30, 2013

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$46,993	\$41,094
Average Classroom Teachers Salary Excluding Extra Compensation	\$46,993	\$41,094
Number of Teacher Full-Time Equivalents (FTES) used in Computation of Average Salaries	24	18

See independent accountant's report on applying agreed upon procedures.

Class Size Characteristics
 As of October 1, 2012

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Class								
Middle High								
Middle High Activity Class								
High	57%	58	34%	34	4%	4	1%	1
High Activity Class	3%	3	1%	1				
Combination								
Combination Activity Class								

See independent accountant's report on applying agreed upon procedures.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
New Orleans, LA

Schedule 7

Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2013

The School did not have grades 4 or 8 for the year ended June 30, 2013; therefore, this schedule does not apply.

See independent accountant's report on applying agreed upon procedures.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
New Orleans, LA

Schedule 8

Graduation Exit Exam
For the Year Ended June 30, 2013

The School did not have grades 10 or 11 for the year ended June 30, 2013; therefore, this schedule does not apply.

See independent accountant's report on applying agreed upon procedures.

NEW ORLEANS MILITARY AND MARITIME ACADEMY
New Orleans, LA

Schedule 9

Iowa and iLEAP Tests
For the Year Ended June 30, 2013

The School did not have grades 3, 5, 6 or 7 for the year ended June 30, 2013. Grade 9 iLeap was dropped by the Department of Education for the 2012 fiscal year; therefore, this schedule does not apply.

See independent accountant's report on applying agreed upon procedures.