

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New Orleans Military and Maritime Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses 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, Inc. as of June 30, 2019, 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.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, New Orleans Military and Maritime Academy, Inc. adopted Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities; this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to the agency head and the schedule of expenditures of federal awards, as required by *Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019 on our consideration of New Orleans Military and Maritime Academy Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Orleans Military and Maritime Academy Inc.'s 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 Inc.'s internal control over financial reporting and compliance.

***Hienz & Macaluso, LLC***

Metairie, LA  
December 27, 2019

## FINANCIAL STATEMENTS

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

**Current Assets:**

Unrestricted cash and cash equivalents	\$ 2,655,560
Restricted cash	106,101
Developer fees receivable-current portion	132,747
Grants receivable	770,669
Investments	106,975
Prepaid expenses	75,428
<b>Total current assets</b>	<u>3,847,480</u>

**Noncurrent Assets:**

Investment in subsidiary (at cost)	2,403,752
Deposits	65,000
Property and equipment, net	761,779
Note receivable	13,158,965
Due from related party	78,801
<b>Total noncurrent assets</b>	<u>16,468,297</u>
<b>Total assets</b>	<u>\$ 20,315,777</u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable	\$ 106,006
Notes payable current maturity	38,510
Accrued salaries and benefits	391,108
<b>Total current liabilities</b>	<u>535,624</u>

**Noncurrent Liabilities:**

Bonds payable (net of bond issuance costs)	10,622,587
Notes payable less current maturity	2,002,099
<b>Total noncurrent liabilities</b>	<u>12,624,686</u>
<b>Total liabilities</b>	<u>13,160,310</u>

**Net assets:**

Without donor restrictions	7,055,467
With donor restrictions	100,000
<b>Total net assets</b>	<u>7,155,467</u>
<b>Total liabilities and net assets</b>	<u>\$ 20,315,777</u>

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

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Without Donor</b>	<b>With Donor</b>	<b>Total</b>
	<b>Restrictions</b>	<b>Restrictions</b>	
<b>Revenues:</b>			
State public school funding	\$ 8,807,171	\$ -	\$ 8,807,171
Federal funding	788,301	-	788,301
Interest income	607,363	-	607,363
Grants	304,442	-	304,442
Contributions and donations	887,167	-	887,167
Other revenue	204,221	-	204,221
Net assets released from restrictions	50,000	(50,000)	-
<b>Total Revenues</b>	<b>11,648,665</b>	<b>(50,000)</b>	<b>11,598,665</b>
<b>Expenses:</b>			
<b>Instructional Services:</b>			
Regular programs	4,805,241	-	4,805,241
School administration	936,182	-	936,182
Pupil support services	173,290	-	173,290
Other instructional programs	1,148,809	-	1,148,809
Special education programs	419,133	-	419,133
Instructional staff services	32,674	-	32,674
Student transportation services	787,060	-	787,060
Food services	367,119	-	367,119
<b>Total Instructional Services</b>	<b>8,669,508</b>	<b>-</b>	<b>8,669,508</b>
<b>Support Services:</b>			
Debt service	531,377	-	531,377
Operation and maintenance of plant service	841,904	-	841,904
Facility acquisition and construction	135,390	-	135,390
Business services	268,490	-	268,490
Other services	13,925	-	13,925
Central services	20,748	-	20,748
Enterprise operations	3,425	-	3,425
General administration	164,184	-	164,184
<b>Total Support Services</b>	<b>1,979,443</b>	<b>-</b>	<b>1,979,443</b>
<b>Total Expenses</b>	<b>10,648,951</b>	<b>-</b>	<b>10,648,951</b>
<b>Change in net assets</b>	<b>999,714</b>	<b>(50,000)</b>	<b>949,714</b>
<b>Net assets, beginning of period</b>	<b>6,055,753</b>	<b>150,000</b>	<b>6,205,753</b>
<b>Net assets, end of period</b>	<b>\$ 7,055,467</b>	<b>\$ 100,000</b>	<b>\$ 7,155,467</b>

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

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>		<u>Total Expenses</u>
	<u>Instructional</u>	<u>Management and General</u>		
<b>Expenses:</b>				
Salaries	5,327,627	328,237	\$	5,655,864
Retirement	89,091	2,860		91,951
Other Benefits	388,928	35,979		424,907
Payroll Taxes	412,653	14,158		426,811
Accounting	-	81,408		81,408
Other Professional Services	234,425	213,372		447,797
Rent	666,756	319		667,075
Travel	34,733	-		34,733
Depreciation Expense	-	135,390		135,390
Insurance	-	128,775		128,775
Other	103,705	609,520		713,225
Repairs and Maintenance	7,150	308,245		315,395
Transportation	787,060	-		787,060
Food Service Management	356,762	-		356,762
Supplies	200,135	28,747		228,882
Utilities	-	91,311		91,311
Communication	60,483	1,122		61,605
	<u>8,669,508</u>	<u>1,979,443</u>		<u>10,648,951</u>

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

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Cash Flows from Operating Activities:**

Change in net assets	\$ 949,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	159,924
Donated investments	(100,000)
Unrealized gains on investments	(6,975)
Increase in grants receivable	(448,474)
Increase in prepaid expenses	(51,646)
Decrease in developer fees receivable	176,993
Decrease in other receivable	12,149
Increase in due from related party	(15,000)
Decrease in accounts payable	(73,953)
Increase in accrued salaries and benefits	149,075
<b>Net cash provided by operating activities</b>	<b><u>751,807</u></b>

**Cash Flows from Investing Activities:**

Investment in subsidiary	(144,649)
Purchases of property and equipment	(167,572)
<b>Net cash (used) by investing activities</b>	<b><u>(312,221)</u></b>

**Cash Flows from Financing Activities:**

Payments on notes payable	(37,288)
<b>Net cash (used) by financing activities</b>	<b><u>(37,288)</u></b>

**Net increase in cash and cash equivalents** 402,298

**Cash and cash equivalents, beginning of period** 2,359,363

**Cash and cash equivalents, end of period** \$ 2,761,661

***Reconciliation to Statement of Financial Position***

Unrestricted cash and cash equivalents	\$ 2,655,560
Restricted cash	106,101
Cash and cash equivalents per Statement of Cash Flows	<u><u>\$ 2,761,661</u></u>

**Supplemental disclosure of cash flow information:**

Cash paid for interest \$ 518,485

**Supplemental disclosure of non-cash investing and financing activities:**

Donated investments \$ 100,000

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

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 School serves eligible students in eighth through twelfth grade. On July 1, 2016, the School's charter was approved for an additional ten years ending on June 30, 2026.

**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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

*Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2019, net assets with donor restrictions totaled \$100,000.

**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 funding and federal grants, as well as private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made at the time that the request for reimbursement is submitted.

**Grants, Developer Fees and Other Receivables**

All receivables are reported at their net realizable value. All receivables are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – Summary of Significant Accounting Policies: (continued)**

**Property and Equipment**

Property and equipment with a value equal to or greater than \$5,000 is capitalized at cost or estimated fair value if donated. 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. At June 30, 2019 the School did not hold any cash equivalents.

**Investments**

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are recorded at fair value. Unrealized and realized gains and losses on investments, dividends, interest, and other investment income are recorded as revenues without restrictions in the statement of activities. A decline in the fair value of investments below cost that is deemed to be other than temporary, results in a charge to change in net assets and the establishment of a new basis for the investment.

**Bond Issuance Costs**

Bond issuance costs (“costs”) associated with the Qualified School Construction Bonds and Qualified Zone Academy Bonds issued by the Louisiana Community Development Authority are carried at net cost, reduce the face value of the accompanying bonds on the statement of financial position and are being amortized over the life of the accompanying bonds. At June 30, 2019, the costs had a gross value of \$539,215 with accumulated amortization of \$41,802 . For the year ended June 30, 2019, amortization expense on the costs was \$24,534. Estimated yearly amortization expense for each of the next five years is \$24,534 with \$254,743 to be amortized in the years thereafter.

**Note Receivable**

Note receivable is reported at its outstanding principal balance. Note receivable is 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, which is in substance, unconditional. Contributions that are restricted by the donor are reported in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – Summary of Significant Accounting Policies: (continued)**

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The School uses the allowance method to determine uncollectible promises to give.

**Paid Time Off**

The School's staff is eligible to earn paid time off in addition to school holidays and break periods. At June 30, 2019, the School's liability for paid time off was \$120,000 which resulted from a change in the School's policy allowing for a one-time buyout of legacy accrued paid time off.

**New Accounting Pronouncement**

Effective July 1, 2018, the School adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The School's net assets previously reported as unrestricted are now reported as net assets without donor restrictions and those previously reported as temporarily restricted are now reported as net assets with donor restrictions.

**NOTE 2 – Cash and Cash Equivalents:**

At June 30, 2019, cash consists of demand deposits in a local bank of \$2,761,661. At June 30, 2019, cash in the amount of \$106,101 is restricted for the loan associated with the construction of the school's permanent campus.

The School maintains cash balances 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.

**NOTE 3 – Investments:**

Investments consist of a mutual fund stated at fair value of \$106,975 based on its quoted price in active markets (level 1 measurement) at June 30, 2019. Interest and dividends earned for the year ended June 30, 2019 was \$392.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 – Fair Value Measurements:**

The framework for measuring fair value provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Mutual Fund.* Valued at the closing price reported on the active market on which the individual securities are traded. These are included in Level 1 of the fair value hierarchy.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – Concentrations:**

For the year ended June 30, 2019, the School received approximately 85% of its total revenues from Federal and State sources.

**NOTE 6 – 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 7 – 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 participants' elective deferrals, but not to exceed 6% of participant compensation.

All employees are immediately vested in their contributions. There is a 3-year vesting period for employer profit-sharing contributions. For the year ended June 30, 2019, the School recorded retirement contributions in the amount of \$91,951.

**NOTE 8 – Expense Allocation:**

As required by FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities, the School has presented a statement of functional expenses as part of its financial statements. Any costs related to activities that constitute direct conduct or direct supervision of program services are classified as program expenses. Any costs related to administration are functionally classified as supporting service expenses. The financial statements of the School report certain categories of expenses that are attributable to more than one program or supporting function. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Salaries and employee benefits have been allocated based on time and effort. Professional services, other, supplies and communication expenses have been allocated based on actual expenses.

**NOTE 9 – Board Members' Compensation:**

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

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 – Net Assets with Donor Restrictions:**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified and /or time restriction by donors as follows:

Youth Force NOLA implementation	\$ 50,000
	<u>\$ 50,000</u>

At June 30, 2019, net assets with donor restrictions consisted of \$100,000 held for the Youth Force NOLA implementation.

**NOTE 11 – Uncertain Income Taxes:**

The School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities. The School's information returns through June 30, 2018 have been filed appropriately. 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 periods are the fiscal years ended June 30, 2016 through 2018.

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 12 – Note Receivable:**

Effective October 31, 2012, and restated on May 15, 2013, the School entered into a loan agreement with DV-NOMMA QEI, LLC (the Borrower), in the amount of \$13,158,965, in order for the Borrower to invest in SECDE SUB III, LLC and DV CDE VII, LLC (the CDEs) for the purpose of financing the construction of the charter school campus located at 425 O'Bannon Street New Orleans, Louisiana 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, the Borrower will make principal and interest payments through October 30, 2034 (the Maturity Date). The Borrower's obligation under the loan agreement is secured by a security and pledge agreement pertaining to the Borrower's interest in the CDEs. For the year ending June 30, 2019, interest income on the note receivable was \$175,362.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 13– Property and Equipment:**

At June 30, 2019, property and equipment consists of the following:

	Balance			Balance
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Improvements	\$ 310,786	\$ 243,715	\$ -	\$ 554,501
Machinery and equipment	246,206	54,690	-	300,896
Leasehold improvements	209,734	15,280	-	225,014
Construction in progress	223,842	31,867	(177,980)	77,729
Less: accumulated depreciation	(260,971)	(135,390)	-	(396,361)
	<u>\$ 729,597</u>	<u>\$ 210,162</u>	<u>(177,980)</u>	<u>\$ 761,779</u>

For the year ended June 30, 2019, depreciation expense was \$135,390. Depreciation is calculated using the straight line method with useful lives of 3 to 40 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 15 – Notes Payable:**

On December 19, 2013, the School entered into a loan agreement with NOMMA Master Tenant, LLC (“NMT”), in the amount of \$1,471,557 for the purpose of financing the construction of the charter school campus located at 425 O’Bannon Street New Orleans, Louisiana on the Federal City Campus.

Commencing on March 31, 2014 and continuing on the 30<sup>th</sup> day of each quarter thru March 30, 2024, NOMMA will pay interest only on the principal balance at a rate of 1% per annum. Commencing on June 30, 2024, NOMMA will pay principal and interest quarterly thru the maturity date of March 30, 2041. The School’s obligation under the loan agreement is secured by the School’s general intangibles. For the year ending June 30, 2019, interest expense on the note payable was \$14,736.

During the year ended June 30, 2018, NMT’s ownership of the note was assigned to a partnership in St. Louis. On November 9, 2018, the partnership exercised a put option as part of the agreement whereby NOMMA Investment, Inc. purchased the interest in the note. See Note 18 for further details.

On April 23, 2015, the School obtained a fixed rate revolving line of credit (the loan) in the amount of \$700,000 at 4.75% maturing April 23, 2021. Effective May 23, 2015, the loan converted to a term note with 59 monthly payments of \$5,471 and a final payment of \$525,421 on April 23, 2021. At June 30, 2019 the balance on the loan is \$530,542. The loan is unsecured. For the year ended June 30, 2019, interest expense on the loan was \$28,937.

At June 30, 2019, future minimum payments on the notes payable are as follows:

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 15 – Notes Payable: (continued)**

<u>Year Ended</u> <u>June 30th</u>	<u>Amount</u>
2020	\$ 38,510
2021	530,542
2022	-
2023	-
2024	19,880
Thereafter	<u>1,451,677</u>
Total	<u>\$ 2,040,609</u>

**NOTE 16 – Bonds Payable:**

The Louisiana Local Government Environmental Facilities and Community Development Authority (“LCDA”) issued \$3,000,000 of its Revenue Bonds as Qualified School 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 financing the construction of the charter school campus located at 425 O’Bannon Street New Orleans, Louisiana on the Federal City Campus.

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%. 90% of the interest on the bonds is subsidized by the United States Treasury.

On October 31, 2012, Whitney Bank as bond trustee transferred the proceeds to the School. The proceeds, as well as \$3,600,000 of loan proceeds obtained from the New Orleans Federal Alliance (the NOFA loan) were used to invest in the DV-NOMMA QEI, LLC for the purpose of financing the construction of the charter school campus located at 425 O’Bannon Street New Orleans, Louisiana on the Federal City Campus.

As of June 30, 2015, the NOFA loan had been completely paid off.

For the year ended June 30, 2019, interest expense on the bonds was \$463,100.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 – Bonds Payable: (continued)**

A summary of changes in bonds payable follows:

<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>	<u>Amounts due within one year</u>
\$ 11,000,000	\$ -	\$ -	\$ 11,000,000	\$ -
<u>\$ 11,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,000,000</u>	<u>\$ -</u>

Estimated scheduled debt service payments, including interest, on the 2012A and 2012B Bonds are as follows:

<u>Year ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 463,100	\$ 463,100
2021	-	463,100	463,100
2022	-	463,100	463,100
2023	-	463,100	463,100
2024	-	463,100	463,100
2025-2029	-	2,315,500	2,315,500
2030-2034	-	2,315,500	2,315,500
2035	11,000,000	154,367	11,154,367
	<u>\$ 11,000,000</u>	<u>\$ 7,100,867</u>	<u>\$ 18,100,867</u>

**NOTE 17 – Lease Agreements:**

The School entered into a lease agreement effective October 31, 2012 with NOMMA Real Estate, LLC. The lease term commenced on January 1, 2014 and ends on December 31, 2031 with an option to extend for four additional five (5) year terms. Payments under the lease are \$89,501 quarterly for the first year, beginning on March 10, 2014. Each calendar year the yearly payments increase as indicated in the future minimum payment schedule. The School also leases space from a third party in an adjoining building. This lease commenced on May 1, 2018 and ends on September 30, 2021.

Future minimum commitments are not reported on a straight-line basis in accordance with GAAP; however, management does not believe the difference between actual expense incurred and straight-line reporting is material to the financial statements.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – Lease Agreements:**

Estimated future minimum payments under the leases are as follows:

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2020	\$ 780,592
June 30, 2021	904,112
June 30, 2022	878,645
June 30, 2023	881,796
June 30, 2024	899,432
Thereafter	7,342,071
	<u><u>\$ 11,686,648</u></u>

For the year ended June 30, 2019, lease expense was \$488,035.

**NOTE 18 – Related Party Transactions:**

NOMMA Investment, Inc. (a corporation) is an unconsolidated subsidiary of the School. At June 30, 2019 NOMMA Investment, Inc. owns 80% of NOMMA Real Estate, LLC. The School, NOMMA Investment, Inc. and NOMMA Real Estate, LLC, share the same governing body. The following transactions occurred between the School and the related entities:

The School has a lease agreement with NOMMA Real Estate, LLC. See NOTE 14 for further detail.

At June 30, 2019, the School has invested \$2,403,752 in NOMMA Investment, Inc. The investment is carried at cost. For the year ended June 30, 2019, the School made \$172,996 in capital contributions to NOMMA Investment, Inc.

At June 30, 2019, the School has a note payable totaling \$1,471,557 to NOMMA Investment, Inc. See Note 15 for further details.

At June 30, 2019, NOMMA Real Estate, LLC, owes the School \$132,747 and \$78,801 in developer fees and other receivables, respectively.

The transactions with NOMMA Investments, Inc. and NOMMA Real Estate, LLC, respectively were entered into for the purpose of financing the construction of the charter school campus located at 425 O'Bannon Street New Orleans, Louisiana on the Federal City Campus.

Management has not consolidated the financial statements of NOMMA Investment, Inc. and NOMMA Real Estate, LLC. The investment in NOMMA Investments, LLC is reported on the cost basis rather than the equity method as management believes it is not a material departure from GAAP and presents a more accurate accounting of the School's operation. Additionally, management has made the determination that the School does not exercise control over NOMMA Real Estate, LLC as required by the *Consolidation* topic of the FASB ASC.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 19 – Liquidity and Availability of Resources:**

At June 30, 2019, the School has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following:

Unrestricted cash and cash equivalents	\$ 2,655,560
Developer fees receivable-current portion	132,747
Grants receivable	770,669
Investments	106,975
	<u>\$ 3,665,951</u>

None of the assets above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The School's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of program expenditures. The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the School has available. In addition, the School operates with a budget to monitor sources and uses of funds throughout the year.

**NOTE 20 – Date of Management's Review:**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 27, 2019, and determined that no events other than the one mentioned in the subsequent paragraph occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

In November 2019, the new market tax credit investors exercised their put option, which resulted in a transfer of 100% of their equity interest in the entity created to hold the loan made to NOMMA Real Estate, LLC to NOMMA Investments, Inc. Upon completion of that transaction, the School effectively owns 99% and has economic control of NOMMA Real Estate, LLC.

SUPPLEMENTARY INFORMATION

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF COMPENSATION, BENEFITS,**  
**AND OTHER PAYMENTS TO THE AGENCY HEAD**  
**JUNE 30, 2019**

Agency Head Name: Colonel Christopher Schlafer, USMC (Retired)

<b>Purpose:</b>	
Salary	<u>\$160,400</u>
Total	<u>\$160,400</u>

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



**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 Directors  
New Orleans Military and Maritime Academy, Inc.

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, Inc. (the School) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New Orleans Military and Maritime Academy Inc.’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 Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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 Inc.'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 Directors, the School's 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

December 27, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited New Orleans Military and Maritime Academy's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of New Orleans Military and Maritime Academy's major federal programs for the year ended June 30, 2019. New Orleans Military and Maritime Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current year findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of New Orleans Military and Maritime Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Orleans Military and Maritime Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Orleans Military and Maritime Academy's compliance.

**Opinion on Each Major Federal Program**

In our opinion, New Orleans Military and Maritime Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Report on Internal Control Over Compliance**

Management of New Orleans Military and Maritime Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Orleans Military and Maritime Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Orleans Military and Maritime Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, 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

December 27, 2019

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
<b><u>United States Department of Education</u></b>		
Passed through the Louisiana Department of Education Title I Grants to Local Educational Agencies	84.010	\$ 312,094 *
English Language Acquisition State Grants	84.365	13,816 *
Supporting Effective Instruction State Grants	84.367	50,212
Special Education Grants to States	84.027	<u>150,461</u>
<b>Total United States Department of Education</b>		<u>526,583</u>
<b><u>United States Department of Agriculture</u></b>		
Passed through the Louisiana Department of Education National School Lunch Program	10.555	<u>261,718</u>
<b>Total United States Department of Agriculture</b>		<u>261,718</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 788,301</u></u>

\* Denotes major program.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of New Orleans Military and Maritime Academy, Inc. (the School) under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**NOTE B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – Relationship to Financial Statements**

Federal awards are included in federal sources in the statement of activities for the year ended June 30, 2019.

**NOTE D – De Minimis Cost Rate**

During the year ended June 30, 2019, the School did not elect to use the 10% De Minimis cost rate covered in §200.414 of the Uniform Guidance.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of New Orleans Military and Maritime Academy, Inc.
2. No control deficiencies were disclosed during the audit of the financial statements of New Orleans Military and Maritime Academy, Inc.
3. No instances of noncompliance material to the financial statements of New Orleans Military and Maritime Academy, Inc.
4. No control deficiencies relating to the audit of internal control over major federal award programs are reported on the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal programs for New Orleans Military and Maritime Academy, Inc. expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings which are required to be reported by the Uniform Guidance.
7. The programs tested as major programs include:

	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
English Language Acquisition State Grants	84.365

8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. New Orleans Military and Maritime Academy, Inc, did not qualify as a low-risk auditee.

**B. Financial Statement Findings and Questioned Costs**

There were no financial statement findings or questioned costs for the year ended June 30, 2019.

**C. Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs for the year ended June 30, 2019.

**D. Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2019.

**NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

There were no findings as of June 30, 2018.

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

There were no findings as of June 30, 2018.

*Section III - Management Letter:*

A management letter was not issued in connection with the audit for the year ended June 30, 2018.

R.S. 24:514 I-PERFORMANCE AND STATISTICAL DATA AGREED-UPON  
PROCEDURES



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

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

We have performed the procedures enumerated below, which were agreed to by the New Orleans Military and Maritime Academy, Inc. (the School); the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties) on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 2019; 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 in compliance with Louisiana Revised Statute 24:514 I. Management of the School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among 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
  - ❖ Nonpublic Transportation Revenue

No exceptions were noted.

### **Class Size Characteristics (Schedule 2)**

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

No exceptions were noted.

### **Education Levels/Experience of Public School Staff (NO SCHEDULE)**

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

We noted one individual whose personnel file education level and experience did not match the PEP data.

Management's Response: Management concurs with the exception. The discrepancy was the result of a clerical error and was subsequently corrected in the PEP system.

### **Public School Staff Data: Average Salaries (NO SCHEDULE)**

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

No exceptions were noted.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not

express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School, as required by Louisiana Revised Statute 24:514.I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Hienz & Macaluso, LLC*  
Metairie, LA  
December 27, 2019



NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.  
New Orleans, Louisiana

General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2019

**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, INC.**  
**New Orleans, Louisiana**

**Schedule 2**

Class Size Characteristics  
 As of October 1, 2018

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High	38%	137	51%	173	8%	26	0%	0
High Activity Classes	38%	6	56%	9	6%	1		
Combination								
Combination Activity Classes								

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

STATEWIDE AGREED-UPON PROCEDURES



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

To the Board of Directors  
New Orleans Military and Maritime Academy, Inc. and  
The Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by New Orleans Military and Maritime Academy (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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 this 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.

The procedures and associated findings are as follows:

### ***Bank Reconciliations***

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1. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

We obtained the required listing, management's representation that the listing is complete and obtained management's identification of the main operating account.

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions were noted.

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions were noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

The procedure was not applicable as no such outstanding items were noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Hienz & Macaluso, LLC*

Metairie, LA  
December 27, 2019