

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

Table of Contents

Independent Auditor's Report	1 - 2
<hr/>	
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13
<hr/>	
Supplementary Information:	
Schedule of Compensation, Benefits, and Other Payments to the Agency Head	14
<hr/>	
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	15 - 16
<hr/>	
Schedule of Findings	17
Summary Schedule of Prior Year Findings	18
<hr/>	
Independent Accountant's Report on Applying Agreed-Upon Procedures	19 - 21
<hr/>	
Schedules Required by State Law (R.S. 24:514-Performance and Statistical Data): As of and For the Year Ended June 30, 2018	
Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	22 - 23
Schedule 2 - Class Size Characteristics	24

Table of Contents (continued)

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

25 - 26



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, 2018, 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, Inc. as of June 30, 2018, 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 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 is presented for purposes of additional analysis and is 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 November 2, 2018 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
November 2, 2018

FINANCIAL STATEMENTS

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:

Unrestricted cash and cash equivalents	\$ 2,209,656
Restricted cash	149,707
Developer fees receivable-current portion	176,991
Grants receivable	322,195
Prepaid expenses	<u>23,782</u>
Total current assets	<u>2,882,331</u>

Noncurrent Assets:

Investment in subsidiary (at cost)	2,259,103
Deposits	65,000
Property and equipment, net	729,597
Note receivable	13,158,965
Other receivable	12,149
Developer fees receivable less current portion	132,749
Due from related party	<u>63,801</u>
Total noncurrent assets	<u>16,421,364</u>

Total assets	<u>\$ 19,303,695</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 179,959
Notes payable current maturity	37,019
Accrued salaries and benefits	<u>242,033</u>
Total current liabilities	<u>459,011</u>

Noncurrent Liabilities:

Bonds payable (net of bond issuance costs)	10,598,053
Notes payable less current maturity	<u>2,040,878</u>
Total noncurrent liabilities	<u>12,638,931</u>
Total liabilities	<u>13,097,942</u>

Net assets:

Unrestricted net assets	6,055,753
Temporarily restricted net assets	<u>150,000</u>
Total net assets	<u>6,205,753</u>
Total liabilities and net assets	<u>\$ 19,303,695</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
State public school funding	\$ 7,629,266	\$ -	\$ -	\$ 7,629,266
Interest income	606,971	-	-	606,971
Federal funding	687,144	-	-	687,144
Grants	-	269,057	-	269,057
Contributions and donations	91,041	300,000	-	391,041
Other revenue	162,410	-	-	162,410
Net assets released from restrictions	419,057	(419,057)	-	-
Total Revenues	<u>9,595,889</u>	<u>150,000</u>	<u>-</u>	<u>9,745,889</u>
Expenses:				
Instructional Services:				
Regular programs	4,470,094	-	-	4,470,094
School administration	902,596	-	-	902,596
Pupil support services	171,841	-	-	171,841
Other instructional programs	911,970	-	-	911,970
Special education programs	276,781	-	-	276,781
Instructional staff services	36,623	-	-	36,623
Student transportation services	600,501	-	-	600,501
Food services	400,007	-	-	400,007
Total Instructional Services	<u>7,770,413</u>	<u>-</u>	<u>-</u>	<u>7,770,413</u>
Support Services:				
Debt service	533,069	-	-	533,069
Operation and maintenance of plant service	710,470	-	-	710,470
Facility acquisition and construction	68,338	-	-	68,338
Business services	243,110	-	-	243,110
Other services	26,978	-	-	26,978
Central services	20,747	-	-	20,747
Enterprise operations	5,850	-	-	5,850
General administration	29,986	-	-	29,986
Total Support Services	<u>1,638,548</u>	<u>-</u>	<u>-</u>	<u>1,638,548</u>
Total Expenses	<u>9,408,961</u>	<u>-</u>	<u>-</u>	<u>9,408,961</u>
Change in net assets	186,928	150,000	-	336,928
Net assets, beginning of period	<u>5,868,825</u>	<u>-</u>	<u>-</u>	<u>5,868,825</u>
Net assets, end of period	<u>\$ 6,055,753</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 6,205,753</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, 2018

Cash Flows from Operating Activities:

Change in net assets	\$ 336,928
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	92,872
Increase in grants receivable	(228,653)
Decrease in prepaid expenses	25,202
Decrease in developer fees receivable	176,992
Increase in due from related party	(35,454)
Increase in accounts payable	7,538
Increase in accrued salaries and benefits	47,136
Net cash provided by operating activities	<u>422,561</u>

Cash Flows from Investing Activities:

Investment in subsidiary	(30,330)
Purchases of property and equipment	<u>(315,677)</u>
Net cash (used) by investing activities	<u>(346,007)</u>

Cash Flows from Financing Activities:

Payments on notes payable	(35,037)
Net cash (used) by financing activities	<u>(35,037)</u>

Net increase in cash and cash equivalents 41,517

Cash and cash equivalents, beginning of period 2,317,846

Cash and cash equivalents, end of period \$ 2,359,363

Reconciliation to Statement of Financial Position

Unrestricted cash and cash equivalents	\$ 2,209,656
Restricted cash	149,707
Cash and cash equivalents per Statement of Cash Flows	<u><u>\$ 2,359,363</u></u>

Supplemental disclosure of cash flow information:

Cash paid for interest \$ 533,162

Supplemental disclosure of non-cash investing and financing activities:

Unpaid capital expenditure \$ 90,740

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 ninth 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 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 and/or purpose.

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 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, 2018

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, 2018, the School did not hold any cash equivalents.

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, 2018, the costs had a gross value of \$539,215 with accumulated amortization of \$137,268. For the year ended June 30, 2018, amortization expense on the costs was \$24,534. Estimated yearly amortization expense for next five years is \$24,534 with \$279,277 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 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. At June 30, 2018, the School did not have any promises to give recorded.

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, 2018, the School’s liability for paid time off was immaterial.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – Cash and Cash Equivalents:

At June 30, 2018, cash consists of demand deposits in a local bank of \$2,359,363. At June 30, 2018, cash in the amount of \$149,707 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 – Concentrations:

For the year ended June 30, 2018, the School received approximately 88% of its total revenues from Federal and State sources.

NOTE 4 – 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 5 – 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, 2018, the School recorded retirement contributions in the amount of \$85,509.

NOTE 6 – 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 based on management's estimates.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – Board Members’ Compensation:

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

NOTE 8 – Temporarily Restricted Net Assets:

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	\$150,000
United States Marine Corps: ROTC instructor salaries	<u>\$269,057</u>
Total restrictions released	<u>\$419,057</u>

At June 30, 2018, temporarily restricted net assets consisted of \$150,000 held for the Youth Force NOLA implementation.

NOTE 9 – 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 2016 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 2015-2017.

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 10 – 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, 2018, interest income on the note receivable was \$175,362.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11– Property and Equipment:

At June 30, 2018, property and equipment consists of the following:

	Balance			Balance
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Improvements	\$ 58,407	\$ 252,379	\$ -	\$ 310,786
Machinery and equipment	209,588	36,618	-	246,206
Leasehold improvements	-	209,734		209,734
Construction in progress	316,156		(252,379)	223,842
Less: accumulated depreciation	<u>(192,633)</u>	<u>(68,338)</u>	<u>-</u>	<u>(260,971)</u>
	<u>391,518</u>	<u>430,393</u>	<u>(252,379)</u>	<u>729,597</u>

For the year ended June 30, 2018, depreciation expense was \$68,338. 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 12 – 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 30th 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, 2018, 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. The School’s management is presently negotiating an early pay-off of the loan with the partnership as of the date of this report.

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, 2018, the balance on the loan is \$606,340. The loan is unsecured. For the year ended June 30, 2018, interest expense on the loan was \$30,614.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – Notes Payable: (continued)

At June 30, 2018, future minimum payments on the notes payable are as follows:

Year Ended June 30th	Amount
2019	\$ 37,019
2020	43,900
2021	525,421
2022	-
2023	-
Thereafter	<u>1,471,557</u>
Total	<u>\$ 2,077,897</u>

NOTE 13 – 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%.

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, 2018, interest expense on the bonds was \$463,100.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – Bonds Payable: (continued)

A summary of changes in long-term liabilities follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Amounts due within one year</u>
Bonds Payable	\$ 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>
2019	\$ -	\$ 463,100	\$ 463,100
2020	-	463,100	463,100
2021	-	463,100	463,100
2022	-	463,100	463,100
2023	-	463,100	463,100
2024-2028	-	2,315,500	2,315,500
2029-2033	-	2,315,500	2,315,500
2034-2035	11,000,000	617,467	11,617,467
	<u>\$ 11,000,000</u>	<u>\$ 7,563,967</u>	<u>\$ 18,563,967</u>

NOTE 14 – 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 July 15, 2017 and ends on July 15, 2019.

Estimated future minimum payments under the leases are as follows:

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2019	\$ 456,814
June 30, 2020	724,036
June 30, 2021	847,556
June 30, 2022	864,506

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – Lease Agreements: (continued)

June 30, 2023	881,796
June 30, 2024-Thereafter	<u>8,241,503</u>
Total	<u>\$ 12,016,211</u>

For the year ended June 30, 2018, lease expense was \$406,620.

NOTE 15 – Related Party Transactions:

NOMMA Investment, Inc. (a corporation) is an unconsolidated subsidiary of the School. At June 30, 2018, NOMMA Investment, Inc. owns 80% of NOMMA Real Estate, LLC. The School, NOMMA Investment, Inc. and NOMMA Real Estate, LLC, all 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, 2018, the School has \$2,259,103 invested in NOMMA Investment, Inc. The investment is carried at cost. For the year ended June 30, 2018, the School made \$30,330 in capital contributions to NOMMA Investment, Inc.

At June 30, 2018, NOMMA Real Estate, LLC. owes the School \$309,740 and \$63,801 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 as a result of the determination that the School does not exercise control over these subsidiaries as required by the *Consolidation* topic of the FASB ASC.

NOTE 16 – Date of Management's Review:

The lease in the adjoining building (mentioned in Note 14) was amended and restated on October 11, 2018 so that the School could lease additional space in the building.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 2, 2018, and determined that no events other than the one mentioned in the preceding paragraph occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD
JUNE 30, 2018

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

Purpose:	
Salary	<u>\$136,445</u>
Total	<u>\$136,445</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, 2018, 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 November 2, 2018.

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
November 2, 2018

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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:

Not applicable

Section III - Management Letter:

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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

There were no findings as of June 30, 2017.

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, 2017.

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, 2018; 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
November 2, 2018

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, 2018**

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.

Class Size Characteristics
As of October 1, 2017

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%	112	50%	144	11%	32	1%	2
High Activity Classes	82%	23	18%	5				
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, 2017 through June 30, 2018. 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

3. 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

We did not note 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).

Management's Response: The Entity employs an outside CPA firm to reconcile all of the cash accounts on a monthly basis. Any adjustments or discrepancies noted by the CPA firm during the reconciliation process are discussed with the Commandant of the Entity. The Commandant approves the resolution of any noted adjustments or discrepancies.

- 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.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

This procedure was not applicable as there were no misappropriations of public funds and assets during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed that both notices were posted as required.

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
November 2, 2018