NEW ORLEANS FEDERAL ALLIANCE
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
www.pncpa.com

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A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Federal Alliance
New Orleans, Louisiana

We have audited the accompanying consolidated financial statements of the New Orleans Federal Alliance (a non-profit organization) ("NOFA") and its combining organization, Federal City Retail Complex, LLC ("FCRC") which comprise the statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, and consolidated cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statements of Financial Position on page 18 and Consolidating Statements of Activities on page 19 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Postlethwaite + Netterville

New Orleans, Louisiana
September 5, 2014

NEW ORLEANS FEDERAL ALLIANCE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	$ 932,664	$ 2,548,675
Other receivable	46,300	46,100
Due from Joint Development Committee	122,776	-
Total current assets	1,101,740	2,594,775
Assets restricted for investment in leasehold improvements (notes 1 and 5)	5,499,196	12,692,853
Property and equipment, net (note 2)	27,071,432	25,185,913
New market tax credit notes receivable (notes 6 and 7)	16,079,793	16,079,793
NOMMA loan receivable (note 6)	3,600,000	-
Straight line rent recievable (note 3)	1,140,164	505,499
Interest income receivable (note 3)	440,846	900,164
Total assets	$ 54,933,171	$ 57,958,997

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities:		
Accounts payable and accrued expenses	$ 463,704	$ 2,411,043
Total current liabilities	463,704	2,411,043
New market tax credit notes payable (notes 6 and 8)	21,104,100	21,104,100
Total liabilities	21,567,804	23,515,143
Net assets (note 5):		
Unrestricted	27,866,171	21,751,001
Temporarily restricted	5,499,196	12,692,853
Total net assets	33,365,367	34,443,854
Total liabilities and net assets	$ 54,933,171	$ 57,958,997

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

NEW ORLEANS FEDERAL ALLIANCE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2013

	2013		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions and grants (notes 1 and 4)	$ 160,657	$ -	$ 160,657
Rental income (note 3)	498,226	-	498,226
Interest income deferred lease (note 3)	240,000	-	240,000
Investment income	1,073	-	1,073
Net assets released from restrictions	7,193,657	(7,193,657)	-
Total revenue and other support	8,093,613	(7,193,657)	899,956
EXPENSES			
Support services	1,135,968	-	1,135,968
Total expenses	1,135,968	-	1,135,968
OPERATING INCOME	6,957,645	(7,193,657)	(236,012)
OTHER INCOME (LOSS)			
Donation of MarForRes project to the Department of the Navy	(842,475)	-	(842,475)
CHANGE IN NET ASSETS	6,115,170	(7,193,657)	(1,078,487)
NET ASSETS, AS RESTATED - JUNE 30, 2012	$ 21,751,001	$ 12,692,853	$ 34,443,854
NET ASSETS - JUNE 30, 2013	$ 27,866,171	$ 5,499,196	$ 33,365,367

(Continued)

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

NEW ORLEANS FEDERAL ALLIANCE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (continued)
FOR THE YEAR ENDING JUNE 30, 2012

	2012		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions and grants (notes 1 and 4)	$ 50,000	$ -	$ 50,000
Rental income (note 3)	414,366	-	414,366
Interest income deferred lease (note 3)	240,658	-	240,658
Investment income	53,933	-	53,933
Net assets released from restrictions	11,054,251	(11,054,251)	-
Total revenue and other support	11,813,208	(11,054,251)	758,957
EXPENSES			
Support services	1,243,717	-	1,243,717
Total expenses	1,243,717	-	1,243,717
OPERATING INCOME	10,569,491	(11,054,251)	(484,760)
OTHER INCOME (LOSS)			
Donation of MarForRes project to the Department of the Navy	(5,400,946)	-	(5,400,946)
CHANGE IN NET ASSETS	5,168,545	(11,054,251)	(5,885,706)
NET ASSETS - JUNE 30, 2011	$ 16,582,456	$ 23,747,104	$ 40,329,560
NET ASSETS, AS RESTATED - JUNE 30, 2012	$ 21,751,001	$ 12,692,853	$ 34,443,854

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

NEW ORLEANS FEDERAL ALLIANCE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,078,487)	$ (5,885,706)
Donation of MarForRes project to the Department of the Navy	842,475	5,400,946
Adjustments to reconcile change in adjusted net assets to net cash used in operating activities:		
Depreciation expense	548,720	466,915
Changes in assets and liabilities:		
(Increase) decrease in interest income receivable	459,318	(65,499)
Increase in straight line rent receivable	(634,665)	(240,657)
Decrease (increase) in other receivables	(200)	31,656
Increase in due from Joint Development Committee	(122,776)	-
Decrease in accounts payable and accrued liabilities	(1,947,339)	(3,316,040)
Decrease in accrued salaries and payroll taxes	-	(15,685)
Net cash used in operating activities	(1,932,954)	(3,624,070)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases related to construction in progress	(3,276,714)	(13,512,590)
Net cash used in investing activities	(3,276,714)	(13,512,590)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to investment funds - NOMMA loan receivable	(3,600,000)	-
Net cash used in financing activities	(3,600,000)	-
Net decrease in cash and cash equivalents	(8,809,668)	(17,136,660)
Cash and cash equivalents at beginning of period	15,241,528	32,378,188
Cash and cash equivalents at year end	$ 6,431,860	$ 15,241,528
Cash and cash equivalents	$ 932,664	$ 2,548,675
Assets restricted for investment in leasehold improvements	5,499,196	12,692,853
Total cash and cash equivalents at year end	$ 6,431,860	$ 15,241,528

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Activity

NOFA and FCRC (collectively, the "Organization") are each 501 (c) (3) exempt organizations. NOFA was specifically created for, and its sole purpose, is to facilitate the planning, development, construction, and operation of the Federal City Project (the "Project").

Founded in 2004, NOFA consists of retired senior military leadership and other private sector professionals. In 2005, NOFA began negotiations with the Department of the Navy ("DON") to redevelop the Naval Support Activity, New Orleans ("NSA NO") as a part of the project. The Project is being funded principally by the State of Louisiana and other funding sources as considered necessary.

FCRC was incorporated in the State of Louisiana on August 4, 2011. The sole mission of FCRC is to support the charitable mission of NOFA and assist in the completion of the Project.

The Project consists of the redevelopment of 150 acres of the NSA NO into a mixed-use development, anchored by the U.S. Marine Corps Reserve Headquarters, where all facilities for federal agency tenants are designed according to requisite force protection standards. The Project will also include on-site housing for roughly 200 military families, temporary lodging for military and non-department of defense visitors, conference center, convenient public transportation, parking, child care center, retail and food services and higher education programs.

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised.

Principles of Consolidation

The consolidated financial statements include the financial statements of NOFA and its combining organization, FCRC. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

NOFA considers all highly liquid cash and cash equivalents with an original maturity of three months or less from the date of acquisition to be cash equivalents. Included in cash are U.S. Treasury obligations stated at fair value. Fair value is based on quoted market prices, as applicable; if quoted prices are not available, fair value is estimated based on similar securities.

The assets restricted for investment in leasehold improvements consist of U.S. Treasury obligations held in trust received from the State of Louisiana. The use of the funds is restricted by the Cooperative Endeavor Agreement by and between the State of Louisiana, the Louisiana Department of Economic Development ("LED"), NOFA and the Industrial Development Board of the City of New Orleans, Louisiana, Inc ("IDBCNO"). The amounts on deposit in the construction fund shall only be disbursed with the consent of the Contract Monitor for the payment of the Project Costs.

Restricted and unrestricted revenue and support

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

NOFA's net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NOFA and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of NOFA and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of NOFA pursuant to those stipulations.

Property and Equipment

Property and equipment of NOFA are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line method.

Income taxes

NOFA is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. It has also been classified as other than a private foundation within the meaning of Section 509(a)(2) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi).

FCRC is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. It has also been classified as other than a private foundation within the meaning of Section 509(a) (3) and is qualified to receive deductible contributions as provided in Section 170(b) (A) (viii).

The Organization applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. The Organization has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. The Organization's tax returns for the years ended June 30, 2013, 2012 and 2011 remain open and subject to examination by taxing authorities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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.

2. Property and Equipment

A summary of property and equipment as of June 30 is as follows:

	2013	2012	Estimated Useful Life
Equipment	$ 3,162	$ 3,162	5 years
Buildings	22,697,032	20,694,888	39 years
Construction in progress leasehold improvements	5,386,873	4,954,778	-
	28,087,067	25,652,828	
Less accumulated depreciation	(1,015,635)	(466,915)	
	$ 27,071,432	$ 25,185,913	

As of June 30, 2013, construction in progress leasehold improvements consists of $5,386,873 of construction and development related to the development of the Federal City Retail Complex.

On May 26, 2011, NOFA entered into an act of transfer with the Algiers Development District ("ADD"), a political subdivision of the State of Louisiana, and in turn the ADD entered into an act of transfer with the Department of the Navy (DON) to transfer $107,159,781 of improvements associated with an approximately 411,000 square foot building known as the Marine Forces Reserve Facility ("MarForRes"), including the attached band room and warehouse, the visitor's center, the gate, entryway, buildings and other improvements situated at the entrance of the MarForRes facility. During the years ended June 30, 2013 and 2012, $842,475 and $5,400,946, respectively was transferred to the DON.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Real Estate Lease and Sub-lease

On September 30, 2008, the DON entered into a real estate lease for the NSA NO, with the ADD. The lease term is for a period of seventy five years beginning on September 30, 2008 and ending on September 29, 2083.

On September 30, 2008, the ADD and NOFA entered into a sublease agreement for the NSA NO lease. The term of the sublease commenced on September 30, 2008 and expires on September 29, 2083.

On September 30, 2008, NOFA entered into the Master sublease agreement with HRI/ECC, LLC, the master developer of the Project, whereby HRI/ECC, LLC is required to pay a cash rental, a site lease payment and participating rent. The site lease payment is an aggregate payment of $12,000,000, which is equal to the fair market value of the site. It will be paid in annual installments on or before March 31 of each year commencing on March 31, 2012. The annual installment will be calculated based on 1.5% of the gross revenues of the site for the year then ended and 10.5% of net project cash flow remaining after debt service for the year ended. The site lease payment may be prepaid without discount or penalty. The unpaid balance of the site lease payment is subject to 2% per annum simple interest and accrual of interest begins September 30, 2008. The accrued interest related to the site lease payment at June 30, 2013 and 2012 was $440,846 and $900,164, respectively. The straight line rent related to the site lease payment for the period ending June 30, 2013 and 2012 was $1,140,164 and $505,500, respectively.

The minimum site lease payment for any year shall not be less than 3% of the outstanding principal and accrued interest as of the respective payment date. If the minimum site lease payment on March 31, 2013 or March 31, 2012 results in an estimated negative net project cash flow after debt service to HRI/EEC, they may elect to make a payment of not less than 1% of the unpaid principal and accrued interest on March 31, 2012 and not less than 2% of the unpaid principal and accrued interest on March 31, 2013. If no negative net project cash flow results, after all revenues and expenditures are reconciled, the payment will be increased to the minimum site lease payment for March 31, 2012 and 2013, respectively. If a positive net project cash flow after debt service exists, but the net project cash flow is less than the amount of the minimum site lease payment, HRI/ECC shall pay to the extent of the positive net project cash flow up to the minimum site lease payment.

After the March 2013 payment, all annual site lease payments thereafter will be no less than the minimum 3% site lease payment, which shall continue until the end of the term or until all principal and accrued interest on the site lease payment is fully paid, whichever occurs first.

3. Real Estate Lease and Sub-lease (continued)

Participating rent is required to be paid by HRI/ECC to NOFA and is equal to 12% of HRI/ECC's net project cash flow after debt service for each fiscal year and derived or generated from any projects with the Project funded in whole or in part from the NOFA development fund. Participating rent will be reduced from 12% to 6% as the Project reaches certain density goals as provided in the Master plan. Participating rent will be paid annually on March 30th of each year, beginning in year 2012, for the fiscal year then ended. As of June 30, 2013 and 2012, there were no participating rents paid to NOFA.

Gross revenue, net project cash flow and debt service will be computed on a calendar year basis, but solely for purposes of calculating participating rent. In determining net project cash flow certain expenses will be excluded. As of June 30, 2013 and 2012, there were no payments paid to NOFA.

Property management fees will be assessed with respect to project components that are funded from NOFA's development fund as follows: (i) residential – 5% of gross revenues, (ii) hotel – 4% of gross revenues, (iii) parking – 8% of gross revenues, and (iv) commercial – 6% of gross revenues. Design fees due HRI/ECC will be assessed at 6% of construction hard costs.

4. Contributions and Grants

On September 29, 2008, the State of Louisiana, the LED and IDBCNO entered into a funding cooperative endeavor agreement whereby the IDBCNO as issuer of $150,000,000 of revenue bonds, Series 2008 agrees that amounts on deposit in the NOFA construction fund shall only be disbursed with the consent of the Contract Monitor for the payment of the Project costs incurred in accordance with the Project Budget and the Project cooperative endeavor agreement. Per the trust indenture dated October 1, 2008, the State of Louisiana has agreed to make payments to the Issuer in an amount sufficient to pay the principal of and interest on the Bonds and other amounts owed under the Indenture. On October 30, 2008, $25,000,000 of revenue bonds were issued, with a net amount deposited into the NOFA bond fund of $24,419,212, including cost of issuance of $275,000.

On September 29, 2008, the State of Louisiana, the LED and the IDBCNO entered into an amended and restated funding cooperative endeavor agreement whereby the State of Louisiana added the Mega-Project Funds, which are required to be held separate from state funding bonds issued. On June 4, 2010, NOFA received $40,000,000 of the Mega-Project funds. On September 29, 2010, NOFA received an additional $45,000,000 of the Mega-Project funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Contributions and Grants (continued)

NOFA also received contributions of $160,651 and $50,000 from the ADD to fund operations for the fiscal year ending June 30, 2013 and June 30, 2012, respectively.

5. Restrictions on Net Assets

Temporarily restricted net assets are available for the following as of June 30:

	2013	2012
Development of the Federal City Retail Complex	$ 5,499,196	$ 14,489,713
Development of the Auditorium	-	1,796,860
	$ 5,499,196	$ 12,692,853

6. New Market Tax Credits

On August 18, 2010, NOFA and FCRC entered into a $21,104,100 new market tax credit ("NMTC") transaction to fund the development and construction of the Federal City Retail Complex. To facilitate the NMTC transaction, a new entity was created, Federal City Retail Complex, LLC, which is consolidated into NOFA financial statements for fiscal year ending June 30, 2012. NOFA contributed $16,079,793 to the NMTC transaction which is expected to generate $18,474,309 of net funding for the Federal City Retail Complex, LLC.

NOFA has entered into a performance guaranty the completion, compliance and ongoing operations of the Federal City Retail Complex. NOFA could be required to fund all or a portion of any deficits or tax credit adjustments that may arise from these guarantees.

On October 1, 2012, the New Orleans Military and Maritime Academy, Inc. (NOMMA) entered into a NMTC transaction for the redevelopment of the NOMMA building. NOFA contributed $3,600,000 as a bridged loan receivable to assist in the NMTC transaction. The loan bears no interest and the full principal balance is due in full thirty days after receipt of the Project Developer's final certification. If the completion date has not occurred prior to October 26, 2014, the entire principal balance of the loan receivable will be forgiven by NOFA.

7. Litigation

The Organization is a litigant in matters arising in the normal course of business. In the opinion of management and legal counsel, all such pending legal matters are either adequately covered by insurance, or if not insured, will not have a material adverse effect on the consolidated financial position or results of operations of the Organization.

8. Notes Receivable

The Organization has notes receivable related to the new market tax credit transaction, which consist of the following at June 30:

	2013	2012
Note receivable to Federal City Investment Fund, LLC, with interest at 0.6212%, payable only in semi-annual installments on the 20th of each January and July, commencing January 20, 2011, with semi-annual principal and interest payments beginning January 20, 2018 and ending on July 20, 2050.	$ 8,946,593	$ 8,946,593
Note receivable to Iberia Investment Fund, I, LLC, with interest at 0.637%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and ending on August 31, 2050.	4,316,400	4,316,400
Note receivable to FNBC NMTC #1, LLC, with interest at 0.6212%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and ending on August 31, 2050.	2,816,800	2,816,800
Total	16,079,793	16,079,793
Less current portion	-	-
Long-term portion	$ 16,079,793	$ 16,079,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Notes Payable

The Organization has notes payable related to the new market tax credit transaction, which consist of the following at June 30:

	2013	2012
Note payable to Liberty Community Ventures X, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and ending on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	$ 4,316,400	$ 4,316,400
Note payable to Liberty Community Ventures X, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and ending on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	2,816,800	2,816,800
Note payable to Liberty Community Ventures X, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and ending on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	683,200	683,200
Note payable to NCF SUB-CDE 2, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and ending on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	4,461,300	4,461,300

(Continued)

NEW ORLEANS FEDERAL ALLIANCE
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. **Notes Payable (Continued)**

	2013	2012
Note payable to NCF SUB-CDE 2, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and commencing on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	$ 4,485,293	$ 4,485,293
Note payable to NCF SUB-CDE 2, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and commencing on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	1,618,807	1,618,807
Note payable to NCF SUB-CDE 2, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and commencing on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	1,538,700	1,538,700
Note payable to Community Development Funding XIII, LLC with interest at 0.5%, payable only in semi-annual installments on the first of each January and July, commencing January 1, 2011, with semi-annual principal and interest payments beginning January 1, 2018 and commencing on August 31, 2050. This note is secured by the assignment of leases and rents from the retail complex.	1,183,600	1,183,600
Total	21,104,100	21,104,100
Less current portion	-	-
Long-term portion	$ 21,104,100	$ 21,104,100

10. Prior period adjustment

In accordance with a Management Agreement between FCRC and HRI/ECC, HRI/ECC had responsibility for operations, collection of revenues, expenditures and maintenance of financial records and bank accounts for the Federal City Parking Garage/Retail Complex. During this period, HRI/ECC had signatory authority over a bank account for these purposes in FCRC's name. The Organization has identified this account as an FCRC account, which provides an understatement of amounts previously reported for FCRC which impacted prior year financial statements. .The impact on the net position of the Organization is as follows.

Net assets as previously reported, December 31, 2012	$	34,399,762
Cash - FCRC		44,092
Net assets as restated, December 31, 2012	$	34,443,854
Change in net assets as previously reported, for the year ended December 31, 2012	$	(5,929,798)
Lease income, net - FCRC		44,092
Change in net assets as restated, for the year ended December 31, 2012	$	(5,885,706)

11. Subsequent event

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 5, 2014, and determined the following occurred that requires disclosure.

Subsequent to year end, NOFA entered into termination agreements with HRI/ECC, LLC, the master developer of the Project to terminate the agreements as described in Note 3, with termination of all HRI/EEC, LLC services by December 31, 2014.

NEW ORLEANS FEDERAL ALLIANCE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

	NOFA	FCRC	Eliminating Entries	Consolidated Total
CURRENT ASSETS				
Cash and cash equivalents	$ 56,136	$ 876,528	$ -	$ 932,664
Other Receivable	21,300	25,000	-	46,300
Due from Joint Development Committee	122,776	-		122,776
Due from Federal City Retail Complex	504,943	-	(504,943)	-
Total current assets	705,155	901,528	(504,943)	1,101,740
NON-CURRENT ASSETS				
Assets restricted for investment in leasehold improvements	5,499,196	-	-	5,499,196
Property and equipment, net (note 2)	5,390,035	21,681,397	-	27,071,432
New market tax credit notes receivable (notes 6 and 7)	16,079,793	-	-	16,079,793
NOMMA bridge loan receivable	3,600,000	-	-	3,600,000
Straight line rent recievable (note 3)	1,140,164	-	-	1,140,164
Interest income receivable (note 3)	440,846	-	-	440,846
Total Non-Current Assets	32,150,034	21,681,397		53,831,431
TOTAL ASSETS	$ 32,855,189	$ 22,582,925	$ (504,943)	$ 54,933,171

LIABILITIES AND NET ASSETS

	NOFA	FCRC	Eliminating Entries	Consolidated Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 134,662	$ 329,042	$ -	$ 463,704
Due to NOFA	-	504,943	(504,943)	-
Total current liabilities	134,662	833,985	(504,943)	463,704
NON-CURRENT LIABILITIES				
New market tax credit notes payable (notes 6 and 8)	-	21,104,100	-	21,104,100
TOTAL LIABILITIES	134,662	21,938,085	-	21,104,100
NET ASSETS				
Unrestricted, as restated	27,221,331	644,840	-	27,866,171
Temporarily restricted	5,499,196	-	-	5,499,196
TOTAL NET ASSETS	32,720,527	644,840	-	33,365,367
TOTAL LIABILITIES AND NET ASSETS	$ 32,855,189	$ 22,582,925	$ (504,943)	$ 54,933,171

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

NEW ORLEANS FEDERAL ALLIANCE

CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	NOFA	FCRC	Eliminating Entries	Consolidated Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT				
Contributions and grants (notes 1 and 4)	$ 160,657	$ -	$ -	$ 160,657
Rental income (note 3)	160,000	338,226	-	498,226
Interest income deferred lease (note 3)	240,000	-	-	240,000
Investment income	1,073	-	-	1,073
Investment income from Federal City Retail Complex	52,755	-	(52,755)	-
Net assets released from restrictions	7,193,657	-	-	7,193,657
TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	7,808,142	338,226	(52,755)	8,093,613
EXPENSES				
Support Services	329,356	859,367	(52,755)	1,135,968
TOTAL OPERATING EXPENSES	329,356	859,367	(52,755)	1,135,968
OPERATING INCOME	7,478,786	(521,141)	(52,755)	6,957,645
OTHER INCOME (LOSS)				
Transfer from NOFA	(745,831)	745,831	-	-
Donation of MarForRes facility to the Department of the Navy	(842,475)	-	-	(842,475)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	5,890,480	224,690	(52,755)	6,115,170
TEMPORARILY RESTRICTED NET ASSETS				
Net assets released from restrictions	(7,193,657)	-	-	(7,193,657)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(7,193,657)	-	-	(7,193,657)
CHANGE IN NET ASSETS	(1,303,177)	224,690	-	(1,078,487)
NET ASSETS				
Beginning of year, as restated	34,023,704	420,150	-	34,443,854
End of year	$ 32,720,527	$ 644,840	$ -	$ 33,365,367

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