

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.

AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

November 1, 2016

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, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the New Orleans Military and Maritime Academy Inc.'s basic financial statements as listed in the table of contents.

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, 2016, 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 that collectively comprise New Orleans Military and Maritime Academy Inc.'s basic financial statements. 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 basic financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

The schedules required by Louisiana State Law, included as Schedules 1 through 9, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans Military and Maritime Academy Inc.'s internal control over financial reporting and compliance.

Hienz & Macaluso, LLC

Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current Assets:

Unrestricted cash and cash equivalents	\$ 1,356,066
Restricted cash	92,827
Investments	2,222,505
Accounts receivable	176,992
Grants receivable	29,986
Prepaid expenses	50,978
Deposits	65,000
Due from related parties	28,347
Total current assets	<u>4,022,701</u>

Noncurrent Assets:

Note receivable	13,171,114
Accounts receivable	486,734
Bond issuance cost	451,016
Loan issuance cost	51,405
Property and equipment, net	212,458
Total noncurrent assets	<u>14,372,727</u>
Total assets	<u>\$ 18,395,428</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 120,261
Notes payable	34,541
Accrued salaries and benefits	78,422
Total current liabilities	<u>233,224</u>

Noncurrent Liabilities:

Bonds payable	11,000,000
Notes payable	2,109,554
Total noncurrent liabilities	<u>13,109,554</u>
Total liabilities	<u>13,342,778</u>

Net assets:

Unrestricted net assets	5,027,650
Temporarily restricted net assets	25,000
Total net assets	<u>5,052,650</u>
Total liabilities and net assets	<u>\$ 18,395,428</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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
State public school funding	\$ 6,375,262	\$ -	\$ -	\$ 6,375,262
Interest income	606,771	-	-	606,771
Federal funding	552,123	-	-	552,123
Grants	-	308,691	-	308,691
Contributions and donations	76,074	-	-	76,074
Other income	203,645	-	-	203,645
Net assets released from restrictions	308,691	(308,691)	-	-
	-	-	-	-
Total Revenues	8,122,566	-	-	8,122,566
Expenses				
Instructional Services:				
Regular programs	3,823,909	-	-	3,823,909
School administration	626,818	-	-	626,818
Pupil support services	643,941	-	-	643,941
Other instructional programs	205,888	-	-	205,888
Special education programs	132,343	-	-	132,343
Instructional staff services	11,134	-	-	11,134
	-	-	-	-
Total Instructional Services	5,444,033	-	-	5,444,033
Support Services:				
Debt service	629,921	-	-	629,921
Operation and maintenance of plant service	433,661	-	-	433,661
Facility acquisition and construction	81,929	-	-	81,929
Student transportation services	494,653	-	-	494,653
Business services	201,159	-	-	201,159
Central services	1,178	-	-	1,178
Other services	40,266	-	-	40,266
Food services	295,367	-	-	295,367
Enterprise operations	7,482	-	-	7,482
General administration	101,108	-	-	101,108
	-	-	-	-
Total Support Services	2,286,724	-	-	2,286,724
	-	-	-	-
Total Expenses	7,730,757	-	-	7,730,757
Change in net assets	391,809	-	-	391,809
Net assets, beginning of period	4,635,841	25,000	-	4,660,841
Net assets, end of period	\$ 5,027,650	\$ 25,000	\$ -	\$ 5,052,650

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, 2016

Cash Flows from Operating Activities:

Change in net assets	\$ 391,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	169,482
Decrease in accounts receivable	663,725
Decrease in grants receivable	164,821
Decrease in prepaid expenses	10,658
Increase in due from related parties	-
Decrease in accounts payable	(59,720)
Increase in accrued salaries and benefits	38,783
Net cash provided by operating activities	<u>1,379,558</u>

Cash Flows from Investing Activities:

Investment in wholly-owned subsidiary	(226,551)
Purchase of property and equipment	(4,970)
Net cash (used) by investing activities	<u>(231,521)</u>

Cash Flows from Financing Activities:

Payments on line of credit	(5,496)
Proceeds from line of credit	221,078
Net cash provided by financing activities	<u>215,582</u>

Net increase in cash and cash equivalents	1,363,619
Cash and cash equivalents, beginning of period	<u>727,633</u>
Cash and cash equivalents, end of period	<u>\$ 2,091,252</u>

Reconciliation to Statement of Financial Position

Unrestricted cash and cash equivalents	\$ 1,356,066
Restricted cash	92,827
	<u> </u>
Cash and cash equivalents per Statement of Cash Flows	<u>\$ 1,448,893</u>

Supplemental Disclosure of Cash Flow Information:

Interest paid	\$ <u>501,800</u>
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The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – Summary of Significant Accounting Policies

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

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

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

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

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment

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

Income Taxes

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

Cash and Cash Equivalents

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

Bond Issuance Costs

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

Loan Issuance Costs

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

Note 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.

Grants Receivable

Grants receivable is reported at its net realizable value. Grants receivable is considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

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.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – Summary of Significant Accounting Policies (continued)

Paid Time Off

The principal and commandant are eligible to earn paid time off in addition to school holidays and break periods. Paid time off begins to accrue on the first day an employee works for the school. Unused paid time off is rolled over to the following year. As of June 30, 2016, the School's liability for paid time off was \$0.

NOTE 2 – Cash and Cash Equivalents

At June 30, 2016, cash consists of demand deposits in a local bank of \$1,448,893.

At June 30, 2016, cash in the amount of \$92,827 is restricted for the loan associated with the construction of the school's permanent campus.

NOTE 3 – Concentrations

For the year ended June 30, 2016, the School received approximately 89% of its total revenues from Federal and State grantors.

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 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, 2016, the School recorded retirement contributions in the amount of \$40,815.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

NOTE 7 – Board Members' Compensation

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

NOTE 8 – Temporarily Restricted Net Assets

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

Band expenses	<u>\$25,000</u>
Total	<u>\$25,000</u>

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

United States Marine Corps: ROTC teacher salaries	<u>\$308,691</u>
Total restrictions released	<u>\$308,691</u>

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 2013-2015 information returns 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 period is 2013-2015.

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.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10– Property and Equipment

Property and equipment consists of the following:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Machinery and Equipment	\$ 179,955	\$ -	\$ -	\$ 179,955
Improvements	18,456	4,970	-	23,426
Construction in Progress	-	155,625	-	155,625
Less: Accumulated Depreciation	<u>(104,348)</u>	<u>(42,200)</u>	<u>-</u>	<u>(146,548)</u>
	<u>\$ 94,063</u>	<u>\$ 118,395</u>	<u>\$ -</u>	<u>\$ 212,458</u>

For the year ended June 30, 2016, depreciation expense was \$42,200. Depreciation is calculated using the straight line method with useful lives of 3 to 15 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 11 – 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 \$13,171,707, 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, 2016, interest income on the note receivable was \$175,362.

NOTE 12 – Notes Payable

On December 19, 2013, the School entered into a loan agreement with NOMMA Master Tenant, LLC, 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, 2016, interest expense on the note payable was \$14,721.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – Notes Payable (continued)

On April 23, 2015, the School obtained a fixed rate revolving line of credit (the line) in the amount of \$700,000 at 4.75% maturing April 23, 2021. Effective May 23, 2015, the line converted to a term loan with 59 monthly payments of \$5,471 and a final payment of \$525,421 on April 23, 2021. At June 30, 2016, the balance on the loan is \$672,538. The loan is secured by a negative pledge. For the year ended June 30, 2016, the School incurred \$34,991 of interest costs associated with the loan. \$11,022 of the interest cost was capitalized and \$23,969 was expensed.

Future minimum payments on notes payable are as follows:

Year ended June 30:

2017	\$ 34,541
2018	36,124
2019	37,879
2020	39,717
2021	524,277
Thereafter	<u>1,471,557</u>
Total	<u>\$ 2,144,095</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 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, 2016, interest expense on the bonds was \$463,110.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – Bonds Payable (continued)

A summary of changes in long-term liabilities follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</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>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	-	469,532	469,532
2018	-	469,532	469,532
2019	-	469,532	469,532
2020-2024	-	2,350,233	2,350,233
2025-2029	-	2,348,946	2,348,946
2030-2034	-	2,348,946	2,348,946
2035	11,000,000	158,226	11,158,226
	<u>11,000,000</u>	<u>8,614,947</u>	<u>19,614,947</u>

NOTE 14 – Lease Agreement

The School entered into a sub-lease agreement effective October 31, 2012 with FNBC Master Tenant, 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. For the year ended June 30, 2016, lease expense was \$452,994.

Estimated future minimum payments under this lease are as follows:

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
June 30, 2017	\$ 376,262
June 30, 2018	383,780
June 30, 2019	391,234
June 30, 2020	724,036
June 30, 2021	847,556
June 30, 2022-Thereafter	<u>9,987,806</u>
Total	<u>\$ 12,710,674</u>

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – Related Party Transactions

NOMMA Investments, Inc. (a corporation) is a subsidiary of New Orleans Military and Maritime Academy, Inc. NOMMA Investment, Inc. owns 80% of NOMMA Real Estate, LLC as of June 30, 2016. NOMMA Investment, Inc. and NOMMA Real Estate, LLC, share the same governing body as the School. The following transactions occurred between the School and the related entities:

The School entered into a lease agreement with FNBC Master Tenant, LLC. See NOTE 14 for further detail.

For the year ended June 30, 2016, the School made \$226,951 in capital contributions to NOMMA Investment, Inc. At June 30, 2016, the School has \$2,222,505 invested in NOMMA Investment, Inc.

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 – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 1, 2016.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD
JUNE 30, 2016

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

Purpose:	
Salary	<u>\$113,169</u>
Total	<u>\$113,169</u>



**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***

November 1, 2016

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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the New Orleans Military and Maritime Academy Inc.’s basic financial statements, and have issued our report thereon dated November 1, 2016.

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 Organization’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans Military and Maritime Academy 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, management, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Hienz & Macaluso, LLC

Metairie, LA

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

There were no findings as of June 30, 2016.

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, 2016.

NEW ORLEANS MILITARY AND MARITIME ACADEMY, INC.
SCHEDULE OF PRIOR PERIOD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

There were no findings as of June 30, 2015.

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, 2015.



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 1, 2016

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

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of New Orleans Military and Maritime Academy, Inc. (the School) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). Management of the School is responsible for its financial records and compliance with applicable laws. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

PROCEDURES AND FINDINGS

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following 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

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

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule “Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers” (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and the School’s supporting payroll records as of October 1, 2015.

Finding: None

3. We reconciled the combined total of principals and assistant principals per the schedule “Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers” (Schedule 4) to the combined total of principals and assistant principals per this schedule.

Finding: None

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2015 and as reported on the schedule. We traced a random sample of 25 teachers to the individual’s personnel file and determined if the individual’s education level was properly classified on the schedule.

Finding: None

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Finding: None

Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2015 and traced the same sample used in procedure 4 to the individual’s personnel file and determined if the individual’s experience was properly classified on the schedule.

Finding: None

Public School Staff Data (Schedule 5)

7. We obtained a listing of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Finding: None

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Finding: None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Finding: None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

Not applicable

Graduation Exit Examination (GEE) (Schedule 8)

11. The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

iLEAP Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the School.

Not applicable

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Directors and management of New Orleans Military and Maritime Academy, Inc., the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA

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

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2016**

<u>General Fund Instructional and Equipment Expenditures</u>	Column A	Column B
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	2,707,015	
Other Instructional Staff Activities	-	
Instructional Staff Employee Benefits	481,038	
Purchased Professional and Technical Services	298,532	
Instructional Materials and Supplies	68,541	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u>-</u>	<u>\$ 3,555,126</u>
Other Instructional Activities		<u>\$ -</u>
Pupil Support Services	-	
Less: Equipment for Pupil Support Services	-	
Net Pupil Support Services	<u>-</u>	<u>\$ -</u>
Instructional Staff Services	-	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	<u>-</u>	<u>\$ -</u>
School Administration	329,725	
Less: Equipment for School Administration	<u>(474)</u>	
Net School Administration		<u>\$ 329,251</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u><u>\$ 3,884,377</u></u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u><u>\$ 137,907</u></u>

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

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, 2016**

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.

Education Levels of Public School Staff
 As of October 1, 2015

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree			3	16%				
Bachelor's Degree	6	27%	7	37%				
Master's Degree	8	36%	9	47%				
Master's Degree + 30	6	27%						
Specialist in Education								
Ph. D. or Ed. D.	2	9%			1	100%		
Total	22	100%	19	100%	1	100%	0	0%

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

Number and Type of Public Schools
For the Year Ended June 30, 2016

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

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

Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers

As of October 1, 2015

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals								
Principals							1	1
Classroom Teachers	2	11	12	5	3	1	7	41
Total	2	11	12	5	3	1	8	42

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

Public School Staff Data: Average Salaries
 For the Year Ended June 30, 2016

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$53,121	\$50,170
Average Classroom Teachers Salary Excluding Extra Compensation	\$53,121	\$50,170
Number of Teacher Full-Time Equivalents (FTES) used in Computation of Average Salaries	49	43

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

Class Size Characteristics
 As of October 1, 2015

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	47%	127	45%	122	5%	14	0%	0
High Activity Classes	2%	5	1%	4	0%	0	0%	1
Combination								
Combination Activity Classes								

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

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

Schedule 7

Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2016

Not Applicable

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

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

Schedule 8

Graduation Exit Examination
For the Year Ended June 30, 2016

Not Applicable

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

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

Schedule 9

iLEAP Tests
For the Year Ended June 30, 2016

Not Applicable

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