

**NEWCORP, INC.**

**FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT**

**DECEMBER 31, 2019**

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AND  
AUDITOR'S REPORT**

**DECEMBER 31, 2019**

**Table of Contents**

<b>Independent Auditor's Report</b>	<b>3</b>
<b>Statement of Financial Position</b>	<b>5</b>
<b>Statement of Activities</b>	<b>6</b>
<b>Statement of Cash Flows</b>	<b>7</b>
<b>Notes to Financial Statements</b>	<b>8</b>
<b>Required Supplemental Schedule:</b> Schedule of Compensation, Benefits, and Other Payments To Agency Head or Chief Executive Officer	<b>21</b>
<b>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</b>	<b>22</b>
<b>Schedule of Findings</b>	<b>24</b>
<b>Schedule of Prior Year Findings</b>	<b>25</b>

**MICHELLE DIAZ CPA INC.**  
**1100 Poydras St. Suite 2900 New Orleans, LA 70163**  
**Office: (504) 522-7010 Fax: (504) 522-7015**



**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
NewCorp, Inc.

I have audited the accompanying financial statements of NewCorp, Inc. which comprise the statements of financial position as of December 31, 2019, 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 controls 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Emphasis of Matter**

As discussed in Note 20 to the financial statements, NewCorp, Inc. may be impacted by disruptions in the economy and business operations associated with the coronavirus (COVID-19) pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. My opinion is not modified with respect to this matter.

**Supplementary Information**

The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the supplementary information and, accordingly, do not express an opinion on such information.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated November 16, 2020, on my consideration of NewCorp Inc's internal control over financial reporting and on my 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 my 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 NewCorp Inc.'s internal control over financial reporting and compliance.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NewCorp, Inc. as of December 31 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Michelle Diaz CPA Inc.*

New Orleans, Louisiana

November 16, 2020

**NEWCORP, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2019**

**ASSETS**

Current assets		
Cash	\$	3,063,375
Receivables		
Grants	\$	236,717
Accounts	1,397	238,114
Loans Receivable	\$	8,169,844
Less: Allowance for Loan Losses	(687,957)	7,481,887
Prepaid expenses and deposits		7,402
Total current assets		10,790,778
Fixed Assets		
Land & Developments	138,519	
Leasehold Improvements	20,625	
Computer Software	87,311	
Less Accumulated Amortization	(99,241)	
Furniture and Equipment	157,445	
Less Accumulated Depreciation	(153,440)	151,219
Total assets	\$	10,941,997

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable and accrued liabilities	\$	20,289
Fiduciary liabilities		107,960
Unearned Revenue		2,472,722
Debt Payable		107,871
Total current liabilities		2,708,842
Long term liabilities		
Debt Payable		2,670,287
Total long term liabilities		2,670,287
Total liabilities		5,379,129
Net Assets		
Without donor restrictions		(1,539,067)
With donor restrictions		7,101,935
Total net assets		5,562,868
Total liabilities and net assets	\$	10,941,997

*The accompanying notes are an integral part of this financial statement*

**NEWCORP, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2019**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE</b>			
Grants	\$ 855,106		\$ 855,106
Program income	1,019,677		\$ 1,019,677
Donations & misc. income	16,505		16,505
Bank interest income	<u>2,273</u>		<u>2,273</u>
Total revenue	<u>1,893,561</u>	<u>-</u>	<u>1,893,561</u>
<b>EXPENSES</b>			
Bad debt	577,624		577,624
Salaries & benefits	487,647		487,647
Contractors	205,643		205,643
Underwriting	160,000		160,000
Loss on Sale of Property	59,231		59,231
Interest	52,699		52,699
Repairs & maintenance	35,737		35,737
Rent	30,948		30,948
Telephone	24,454		24,454
Software & computers	18,813		18,813
Insurance	18,712		18,712
Supplies	9,213		9,213
Marketing and sponsorships	6,707		6,707
Dues and subscriptions	4,585		4,585
Travel and Meals	3,050		3,050
Commissions	2,852		2,852
Printing	2,243		2,243
Directors	1,758		1,758
Depreciation	1,477		1,477
Bank fees	1,278		1,278
Office	1,175		1,175
Security	722		722
Miscellaneous	<u>5,585</u>		<u>5,585</u>
Total expenses	<u>1,712,153</u>	<u>-</u>	<u>1,712,153</u>
Increase (decrease) in net assets	181,408	-	181,408
Net assets released from restriction		(486,697)	(486,697)
Net assets, beginning of year	<u>(1,720,475)</u>	<u>7,588,632</u>	<u>5,868,157</u>
Net assets, end of year	<u>\$ (1,539,067)</u>	<u>\$ 7,101,935</u>	<u>\$ 5,562,868</u>

*The accompanying notes are an integral part of this financial statement*

**NEWCORP, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2019**

Cash flows from operating activities:	
Change in net assets	\$ 181,408
(Increase) decrease in loans receivable	(402,001)
(Increase) decrease in grant receivable	(32,725)
Increase (decrease) in accounts payable and accrued liabilities	(18,747)
Increase (decrease) in unearned revenue	(55,891)
Increase (decrease) in fiduciary liabilities	54,162
(Increase) decrease in prepaid expenses	4,475
Depreciation	1,477
Cash flows from operating activities	<u>(267,842)</u>
Cash flows from investing activities:	
Acquisition of land	(98,510)
Leasehold Improvements	(3,628)
Acquisition of equipment and software	(2,410)
Cash flows from investing activities	<u>(104,548)</u>
Cash flows from financing activities:	
Decrease in temporarily restricted net assets	(486,697)
Increase (decrease) in debt payable	2,280,618
Cash flows from financing activities	<u>1,793,921</u>
Total increase (decrease) in cash for year	1,421,531
Cash, beginning of year, per prior report	1,640,255
Prior Period Adjustment	1,589
Cash, beginning of year, as adjusted	<u>1,641,844</u>
Cash, end of year	<u>\$ 3,063,375</u>

*The accompanying notes are an integral part of this financial statement*

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

NOTE 1- ORGANIZATION

NewCorp, Inc. is a non-depository Community Development Financial Institution (CDFI) non-profit organization, which serves as a small business development center whose primary focus is to fund, enhance, stimulate, and facilitate economic opportunity for the disadvantaged business community in the State of Louisiana by providing access to capital and technical assistance primarily to help increase wealth in depressed communities.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Net assets and revenue, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of NewCorp, Inc. and changes therein are classified and reported as follows:

**Without Donor Restrictions** - Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

**With Donor Restrictions** - Those resources subject to donor-imposed restrictions that will be satisfied by action of NewCorp, Inc. or by the passage of time.

Revenue Recognition

Contributed support is reported as Without Donor Restrictions or With Donor Restrictions depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restrictions are reclassified to without donor restrictions and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is recognized as it is earned in accordance with approved contracts.

Grant Receivable

NewCorp, Inc. considers grant receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.



**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

Basis of Accounting

With the exception of loan interest income (see Note 14), the financial statements of NewCorp, Inc. have been prepared on the accrual basis of accounting and accordingly reflects all significant receivables, payable, and other liabilities.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in Note 21. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash Equivalents

For purposes of the statement of cash flows, NewCorp, Inc. considers all investments purchased with a maturity of three months or less to be cash equivalents.

Loans Receivable / Allowance for Loan Losses

NewCorp, Inc. routinely participates in programs that loan funds to small businesses. Allowances for estimated losses on these loans are provided when an account remains past due for four consecutive months. Management evaluates the carrying value of these assets at least annually and the allowances are adjusted accordingly.

Fixed Assets

Furniture and equipment are recorded at cost (or fair market value for donated assets). Fixed assets with an individual cost greater than \$1,000 and a useful life greater than one year are capitalized and depreciated using the straight line method over the estimated useful lives of the related assets, which vary from three to five years. Maintenance and repairs are expensed as incurred. When items of furniture or equipment are sold or retired, the related cost and accumulated depreciation are removed from Fixed Assets and any resulting gain or loss is included in the results of operations. Depreciation was \$1,477 for 2019.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED:**

NOTE 2- **Income Taxes**

NewCorp, Inc. is a tax exempt corporation under Section 501(C)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements. If NewCorp, Inc.'s tax exempt status is challenged in the future, its 2016 thru 2019 tax years are open for exam by the Internal Revenue Service.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

**Fair Values of Financial Instruments**

NewCorp, Inc. adopted certain provisions of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements which is codified in FASB ASC Topic 820. ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. Further, ASC Topic 820 requires NewCorp, Inc. to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements.

**New Accounting Pronouncements – Adopted**

On August 18, 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities(Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NewCorp, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

In June 2018 the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958), “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for NewCorp, Inc. for annual periods beginning after December 15, 2018. NewCorp, Inc. is currently assessing the impact of the pronouncement on its financial statements.

The FASB has issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606), to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry specific guidance as well as help financial statement users better understand the nature, amount, timing and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This ASU will be effective for NewCorp, Inc. for annual periods beginning after December 15, 2018. NewCorp, Inc. is currently assessing the impact of this pronouncement on the financial statements.

In January 2016, the FASB has issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires that a lease recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, leases and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This ASU will be effective for financial statements issued for annual periods beginning after December 15, 2019. NewCorp, Inc. is currently assessing the impact of this pronouncement on its financial statements.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Loan Receivables / Commitments

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Management reviews NewCorp's loan portfolio to determine the existence of and extent of which notes are subject to special consideration as to any doubt regarding their collectibility. All nonaccrual loans are considered to be impaired in accordance with FASB ASC 310. When, in management's judgment, a loan is determined to be of doubtful collectibility, the loan is charged to the Allowance for Loan Losses, subject to approval from the funding source, if applicable.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection is doubtful.

Outstanding loan commitments at December 31, 2019 totaled \$2,432,424.

Allowance for Loan Losses

The allowance for possible loan losses is maintained to provide for possible losses inherent in the loan portfolio. The financial statements are prepared in accordance with FASB ASC 310.

Management determines the appropriate level of allowance to be maintained based on an analysis of the portfolio and evaluation of economic factors. Provision for loan losses are recognized by a charge to expense or a reduction of monies due to the funding sources, depending on the source of the loan proceeds. However, because such factors as loan growth, the future collectibility of loans and the amounts and timing of future cash flows expected to be received on impaired loans are uncertain, the level of future provisions generally cannot be predicted.

NOTE 3 - CONCENTRATION OF CREDIT RISK

- (a) Financial instruments that potentially subject NewCorp, Inc. to concentration of credit risk consist principally of cash accounts in financial institutions covered by FDIC insurance. Non-interest bearing accounts are fully insured and interest-bearing accounts are insured up to \$250,000. At December 31, 2019, NewCorp, Inc.'s interest-bearing accounts exceeded FDIC limits by \$2,675,853.
- (b) Loans are primarily made to entities in Southeast Louisiana. Thus, there is inherent geographic concentration risk.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

NOTE 4 - LOANS RECEIVABLE

At December 31, 2019, the balances included in loans receivable were:

**Revolving loan funds/CED, due in monthly installments over 1 month to 84 months including interest between 4.00 to 12.00%** \$ 4,211,623

**Community Development Federal Institution loan funds, due in monthly installments over 1 month to 84 months including interest between 4.00 to 12.00% un-collateralized** 205,443

**Small Business Assistance loan funds, due in monthly installments over 1 month to 84 months including interest between 4.00 to 12.00%; un-collateralized** 506,905

**Louisiana Small Business Grant and Loan funds, installments over 1 month to 84 months including interest between 4.00 to 12.00%; un-collateralized** 248,324

**Small Business Administration Loan funds, installments over 1 month to 84 months including interest between 5.00 to 12.00%; un-collateralized** 14,432

**Mobilization Loan funds, Lines of credit for 12 month terms with renewal option at maturity with an average interest rate of 10%** 1,276,798

**Restore Louisiana Installments over 1–60 months; interest free; uncollateralized** 1,706,319

Loans Receivable, Gross 8,169,844

Less: Allowance for loan losses (687,957)

Loans Receivable, net of allowance for losses \$ 7,481,887

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

NOTE 5- FIXED ASSETS

Changes in the net book value of Fixed Assets during the year ended December 31, 2019 were as follows:

Description	Balance	Additions/ (Deletions)	Balance
	Jan. 1, 2019		Dec. 31, 2019
Land	14,967	100,294	115,261
Developments	25,043	(1,785)	23,258
Leasehold improvements	16,996	3,629	20,625
Computer software	87,311		87,311
Furniture and fixtures	23,067		23,067
Telephone system	975	2,179	3,154
Computer equipment	130,993	232	131,224
Accumulated depreciation	(153,240)		(153,440)
Accumulated amortization	<u>(97,764)</u>	<u>(1,477)</u>	<u>(99,241)</u>
Total	\$ 48,348	\$ 103,072	\$ 151,219

Depreciation expense totaled \$1,477 for the year ended December 31, 2019.

NOTE 6- LA BUSINESS RECOVERY GRANT & LOAN PROGRAM /  
COLLABORATIVE FOR ENTERPRISE DEVELOPMENT

The Louisiana Business Recovery Grant & Loan Program supports small businesses by providing grants and low interest loans to assist with their recovery after the effects of Hurricane Katrina. In accordance with the terms of the program, NewCorp, Inc. is allowed to utilize all principal and interest payments received from the businesses through loan repayments to disburse new loans to eligible applicants.

NewCorp, Inc. is a member of a community-based collaborative, the Collaborative for Enterprise Development (CED). The group consists of four (4) non-profit organizations, including NewCorp, Inc., all based in New Orleans, to support the recovery of small businesses with financial products and technical assistance services. Each member of the CED brings a unique set of enterprise development services to offer comprehensive assistance to entrepreneurs, including business planning assistance, credit counseling, marketing assistance, accounting system development, working capital loans and equity investment opportunities. The CED is funded by private grant funds received from the Foundation of Louisiana, a non-profit organization.

**NEWCORP, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NewCorp, Inc. is the fiduciary agent for the collaborative and is the recipient of all grant funds awarded under the agreement. NewCorp, Inc. is responsible for making all disbursements related to the collaborative, including the payment of all program related expenses, disbursements to other members of the collaborative, and disbursements of loan proceeds for loans awarded under the CED program.

NewCorp, Inc. reports the financial transactions of the CED in consolidation with its own financial statements. The grant agreement related to the collaborative states that the final objective of the program is to successfully position the CED as an independent entity by the end of the agreement; which was expected to end in September 2012. NewCorp, Inc. will continue to report the CED's financial transactions until the independent entity is established or the program is ended.

**NOTE 7 - UNEARNED REVENUE**

NewCorp Inc. reports grant funds it receives in advance and not expended at year end in Unearned Revenue until they are expended for program purposes. In 2019, NewCorp, Inc. had unexpended funds from the following:

State of Louisiana	\$1,734,160
Community Devlpmt Fincl Institution	728,370
Foundation for Louisiana	<u>10,190</u>
Total	\$2,472,722

In subsequent periods, when NewCorp, Inc. has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Financial Position and the revenue is recognized. Should these funds not be expended they must be returned to the funding source.

**NOTE 8 - FIDUCIARY LIABILITIES**

NewCorp, Inc. is acting as fiscal agent for several local non-profit organizations while the organizations await receipt of their approved 501(c)(3) tax exempt status. NewCorp, Inc. receives and holds funds on behalf of the organizations and makes disbursements to the organizations upon request. At December 31, 2019, NewCorp, Inc. held \$107,960 on behalf of these non-profit organizations.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

**NOTE 9 - NOTE PAYABLE**

NewCorp, Inc. received a \$650,000 loan in 2017 from the Living Cities Catalyst Fund (LCCC) which bears an interest rate of 2% and carries a balance of \$434,000 as of December 31, 2019. In 2018, NewCorp, Inc. secured two lines of credit from a local bank for the development of the New Orleans Redevelopment Land development (Notes 14 and 19). The lines mature on December 7, 2020 and bear a variable interest rate of .975% above prime and carry a total balance of \$107,871 as of December 31, 2019. On January 11, 2019 NewCorp received a line of credit with a local bank up to 4,000,000.00, to redeploy to lenders, which bears an interest of 3.25% and carries a balance of 1,436,287.00. On January 15, 2019 NewCorp received a line of credit with a foundation up to 2,000,000.00, to redeploy to lenders, which bears an interest of 2.00% and carries a balance of 800,000.00 and is due on January 15, 2027. The five year principal maturities and outstanding balance on this long-term debt is as follows:

	<u>LCCC</u>	<u>Local Bank1</u>	<u>Foundation</u>	<u>Local Bank2</u>
Principal due in:				
2020	0.00	107,870.54	0.00	0.00
2021	434,000.00	0.00	0.00	0.00
2022	0.00	0.00	0.00	1,436,287.00
2023	0.00	0.00	0.00	0.00
2024 and after	0.00	0.00	800,000.00	0.00
 Total Principal at 12/31/2019	 434,000.00	 107,870.54	 800,000.00	 1,436,287.00

**NOTE 10- RESTRICTIONS/ COLLATERAL**

During the year ending December 31, 2019, NewCorp, Inc. released \$437,729 in temporarily restricted net assets from restriction in accordance with the terms of a grant agreement which allows for NewCorp, Inc. to use 15% per year of loan repayments for administrative expenses, totaling the temporarily restricted revenue for the Louisiana Business Recovery Program to \$5,395,616.

Similarly, NewCorp, Inc. is recognizing the income relative to its Restore Louisiana program over the period of repayments. In 2019, \$48,968 was released from temporarily restricted net assets; bringing it to \$1,706,319.

The above two restrictions resulted with NewCorp, Inc. having temporarily restricted net assets totaling \$7,101,935 restricted for making loans to eligible applicants at December 31, 2019.

NewCorp agreed to deposit \$1,050,000 as a loan loss reserve cash collateral account that is subject to control of the depository financial institution under the terms of the agreement. NewCorp is the owner of the account but withdrawals are subject to approval upon written request.



**NEWCORP, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 11- RELATED PARTY TRANSACTIONS

- (a) NewCorp, Inc. has disbursed loan proceeds to a board member who owns a small business. The board member is not a member of the loan committee, the loan was disbursed utilizing guidelines and criteria applicable to all applicants, and the terms of the loan agreements are consistent with loan agreements entered into with other non-related parties. The loan balance due from this board member was \$226,532 at December 31, 2019.
- (b) In 2019, NewCorp, Inc. contracted with a board member to provide \$2,500 in professional architectural services. The fee paid was deemed an “arms length” transaction and consistent with market rates for such services.
- (c) A related party, a State-licensed CPA, was contracted to provide accounting services to NewCorp, Inc. in the amount of \$51,000.

NOTE 12 - CONTINGENCY

NewCorp, Inc. is the recipient of contract and grant funds from various sources which are governed by various guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of NewCorp, Inc. The continued existence of these funds is based on contract renewals with the funding source. Also, any funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

NOTE 13- GRANT RECEIVABLE

Grant Receivable for the year ended December 31, 2019 is \$132,756 due from The State of Louisiana - Division of Administration's Disaster Recovery Unit for NewCorp's administration of its Restore Louisiana Small Business Program.

NewCorp entered into an agreement with the New Orleans Redevelopment Authority (NORA) to develop two vacant lots. NewCorp advances the costs of the development and NORA reimburses NewCorp up to \$100,000 per lot. As of December 31, 2019 the Grant Receivable balance is \$103,981.

NOTE 14- LOAN INTEREST INCOME

NewCorp, Inc. has elected to recognize its loan interest income on a cost recovery basis. Therefore, interest income is only recognized when it is received.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

**NOTE 15- FAIR VALUES OF FINANCIAL INSTRUMENTS**

In accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price that NewCorp, Inc. would receive or sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of NewCorp, Inc.'s assets or liabilities. The inputs are summarized in three broad levels listed as:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 -Pricing inputs are other than quoted prices in active markets, which are directly or indirectly observable as of the reporting date, and fair value is determined via the use of models/other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. NewCorp, Inc.'s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. All investments are considered to be level I investments. The following table summarizes the valuation of NewCorp, Inc.'s financial instruments measured at fair value by the above ASC Topic 820 fair value:

FINANCIAL ASSETS	Carrying Value	Fair Value
Cash/ Cash Equivalents	\$3,063,375	\$3,063,375
Loans Receivable	\$8,169,844	\$8,169,844
FINANCIAL LIABILITIES:		
Note Payable	\$2,778,158	\$2,778,158

**NOTE 16 - BOARD OF DIRECTORS**

The Board of Directors serve in a voluntary capacity and therefore received no compensation during the year ended December 31, 2019.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

**NOTE 17 - PAST DUE PAYMENTS ON LOAN RECEIVABLES**

Of the gross Loan Receivables of \$8,169,144 at December 31, 2019, there was \$153,696 in past due interest payments which NewCorp, Inc. continues to aggressively collect from its borrowers and which will be recognized as income upon receipt.

**NOTE 18- RISK MANAGEMENT**

NewCorp. Inc. is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no claims that exceeded this commercial coverage during the year 2019.

**NOTE 19- DEFERRED LAND PURCHASE**

In 2017, NewCorp Inc. acquired land from the New Orleans Redevelopment Authority (NORA); the terms of which stipulate an amount due at a later date or possibly forgiven if certain conditions are met. The land will be developed in conjunction with NORA to build affordable houses.

**NOTE 20- SUBSEQUENT EVENTS**

NewCorp Inc.'s management evaluated subsequent events through November 16, 2020, which represents the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. On March 11, 2020, the Mayor of New Orleans declared a State of Emergency due to COVID-19. Subsequently, the Governor of Louisiana and the Mayor of New Orleans through a series of proclamations and orders limited gatherings of various types and placed restrictions on commercial business activities, which ultimately culminated in the issuance of a "Stay at Home Mandate" for Orleans Parish by the Mayor on March 20, 2020, and by the Governor on March 22, 2020. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in the local area and around the world. While it is unknown how long these conditions will last and what the complete financial effect will be to NewCorp, Inc., to date, NewCorp, Inc. has identified \$204,898 of loans receivable related to businesses that have closed or otherwise determined to definitely be impaired; \$1,271,667 of loans receivable that are currently in an agreed-upon forbearance; and \$1,237,444 of loans receivable that bear other indicators of possibly being impaired by the pandemic.

All other events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

**NEWCORP, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 21: SCHEDULE OF FUNCTIONAL EXPENSES

	Program <u>Services</u>	Support <u>Services</u>	Total <u>Expenses</u>
Bad debt	\$ 577,624	\$	\$577,624
Salaries & benefits	341,350	146,297	487,647
Contractors	161,780	43,863	205,643
Underwriting	160,000		160,000
Loan interest expense	52,699		52,699
Repairs and Maintenance	17,869	17,868	35,737
Occupancy	23,211	7,737	30,948
Telephone	12,227	12,227	24,454
Insurance	13,099	5,613	18,712
Software & computers	8,393	10,420	18,813
Supplies	4,607	4,607	9,214
Dues and subscriptions	4,585		4,585
Miscellaneous		5,585	5,585
Travel	1,830	1,220	3,050
Commissions	2,852		2,852
Printing & reproduction	2,243		2,243
Marketing/public relations	2,107	4,600	6,707
Board of Directors	879	879	1,758
Depreciation expense		1,477	1,477
Bank fees	1,022	256	1,278
Office	587	588	1,175
Security	542	180	722
Loss on Sale of Property	29,616	29,616	59,232
	\$ 1,419,121	\$ 293,032	\$ 1,712,153

**NEWCORP, INC.**  
**SUPPLEMENTAL SCHEDULE**  
**December 31, 2019**

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Agency Head Name:	Vaughn R. Fauria	
<u>Purpose</u>		<u>Amount</u>
Salary		\$ 189,999.94
Benefits - insurance		5,042.31
Benefits - retirement		-
Benefits - other		-
Car allowance		-
Vehicle provided by organization		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference Travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
Total		<u>\$ 195,042.25</u>

Act 706 of the 2014 Legislative Session requires the disclosure of the total compensation, reimbursement, benefits, and other payments made to the agency head related to the position; including but not limited to travel housing, unvouchered expenses (such as travel advances), per diem, and registration fees.

See the Independent Auditor's Report on Supplementary Information

**MICHELLE DIAZ CPA INC.**  
**1100 Poydras St. Suite 2900 New Orleans, LA 70163**  
**Office: (504) 522-7010 Fax: (504) 522-7015**



**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**

Board of Directors  
NewCorp, Inc.

I 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 NewCorp Inc. (non-profit organization), which comprise the statement of financial position as of December 31, 2019, 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 my report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered NewCorp 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NewCorp Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of NewCorp Inc.'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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  
(Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NewCorp Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my 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.

*Michelle Diaz CPA Inc.*

New Orleans, Louisiana

November 16, 2020

**NEWCORP, INC.**

December 31, 2019

**SCHEDULE OF FINDINGS**

None



**NEWCORP, INC.**  
December 31, 2019

**SCHEDULE OF PRIOR YEAR'S FINDINGS**

None