

**NEWCORP, INC.**

**FINANCIAL STATEMENTS**

**AND**

**AUDITOR'S REPORT**

**DECEMBER 31, 2018**

# NewCorp, Inc.

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**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors**  
**NewCorp, Inc.**

**Report on the Financial Statements**

I have audited the accompanying financial statements of NewCorp, Inc. (non-profit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **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 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Information - Supplemental Schedules**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2019, on my consideration of NewCorp 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 NewCorp Inc.'s internal control over financial reporting and compliance.

*Michelle Diaz CPA Inc.*

New Orleans, Louisiana  
June 30, 2019

**NEWCORP, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

**ASSETS**

Current assets		
Cash (Note 3a)		\$ 1,640,255
Receivables		
Grants (Note 2&13)	\$ 203,992	
Accounts	<u>1,371</u>	205,363
Loans Receivable (Note 2,4&16)	\$ 7,238,033	
Less Allowance for Loan Losses (Note 4)	<u>(156,534)</u>	7,081,500
Prepaid expenses and deposits		<u>11,877</u>
Total current assets		<u>8,938,995</u>
Fixed Assets (Note 2&5)		
Land	40,010	
Leasehold Improvements	16,996	
Computer Software	87,311	
Less Accumulated Amortization	(97,764)	
Furniture and Equipment	155,036	
Less Accumulated Depreciation	<u>(153,440)</u>	48,148
Total assets		<u>\$ 8,987,143</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable and accrued liabilities	\$ 32,236	
Fiduciary liabilities (Note 8) Unearned	53,798	
Revenue (Note 7)	2,528,613	
Debt Payable (Note 9)	51,319	
Deferred Land Purchase (Note 19)	<u>6,800</u>	
Total current liabilities		2,672,766
Long term liabilities		
Debt Payable (Note 9)		<u>446,221</u>
Total long term liabilities		<u>446,221</u>
Total liabilities		<u>3,118,987</u>
Net Assets (Notes 2&10)		
Without donor restrictions	(1,720,475)	
With donor restrictions	<u>7,588,632</u>	
Total net assets		<u>5,868,157</u>
Total liabilities and net assets		<u>\$ 8,987,143</u>

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

**NEWCORP, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2018**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE</b>			
Grants	\$ 620,926	\$ 29,665	\$ 650,591
Program income	585,193		585,193
Donations	12,373		12,373
Bank interest income	2,738		2,738
Total revenue	1,221,230	29,665	1,250,895
<b>EXPENSES</b>			
Salaries	356,442		356,442
Contractors	195,374		195,374
Accounting and Legal	77,114		77,114
Bad debt	46,560		46,560
Rent	43,325		43,325
Payroll taxes and fringe benefits	35,068		35,068
Apprentices	26,480		26,480
Telephone	20,843		20,843
Security	15,428		15,428
Travel and Meals	12,382		12,382
Supplies	12,517		12,517
Interest	8,929		8,929
Dues and subscriptions	5,068		5,068
Marketing and sponsorships	3,301		3,301
Utilities	2,097		2,097
Staff training	1,925		1,925
Bank fees	1,333		1,333
Depreciation	963		963
Software	2,944		2,944
Taxes	2,244		2,244
Commissions	2,498		2,498
Miscellaneous	15,905		15,905
Total expenses	888,740	-	888,740
Increase (decrease) in net assets	332,490	29,665	362,155
Net assets released from restriction	183,473	(183,473)	(183,473)
Net assets, beginning of year	(2,236,438)	7,742,440	5,689,475
Net assets, end of year	\$ (1,720,475)	\$ 7,588,632	\$ 5,868,157

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

**NEWCORP, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2018**

Cash flows from operating activities:	
Change in net assets	\$ 362,155
(Increase) decrease in accounts receivable	46,515
(Increase) decrease in loans receivable	(2,258,084)
(Increase) decrease in grant receivable	(41,359)
Increase (decrease) in accounts payable and accrued liabilities	23,557
Increase (decrease) in unearned revenue	1,317,840
Increase (decrease) in fiduciary liabilities	59,560
(Increase) decrease in prepaid expenses	(4,557)
Depreciation	963
Cash flows from operating activities	<u>(493,410)</u>
Cash flows from investing activities:	
Acquisition of land	(25,043)
Acquisition of equipment and software	(8,307)
Cash flows from investing activities	<u>(33,349)</u>
Cash flows from financing activities:	
Increase (decrease) in debt payable	<u>(184,755)</u>
Cash flows from financing activities	<u>(184,755)</u>
Net increase (decrease) in cash	(711,515)
Cash, beginning of year	<u>2,351,769</u>
Cash, end of year	<u>\$ 1,640,255</u>

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

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018**

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, 2018**

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 \$963 for 2018.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018**

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 2015, 2016, 2017, and 2018 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, 2018**

**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, 2018

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, 2018 totaled \$888,266.

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, 2018, NewCorp, Inc.'s interest-bearing accounts exceeded FDIC limits by \$1,645,901.
- (b) Loans are primarily made to entities in Southeast Louisiana.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018**

NOTE 4 - LOANS RECEIVABLE

At December 31, 2018, the balances included in loans receivable were:

<b>Revolving loan funds/CED</b> , due in monthly installments over 1 month to 84 months including interest between 4.00 to 12.00%	\$ 4,100,709
<b>Community Development Federal Institution loan funds</b> , due in monthly installments over 1 month to 84 months including interest between 4.00 to 12.00% un-collateralized	259,467
<b>Small Business Assistance loan funds</b> , due in monthly installments over 1 month to 84 months including interest between 4.00 to 12.00%; un-collateralized	639,004
<b>Louisiana Small Business Grant and Loan funds</b> , installments over 1 month to 84 months including interest between 4.00 to 12.00%; un-collateralized	280,073
<b>Small Business Administration Loan funds</b> , installments over 1 month to 84 months including interest between 5.00 to 12.00%; un-collateralized	45,635
<b>Economic Development Fund Loan funds</b> , installments over 1 month to 84 months including interest between 4.00 to 12.00%; un-collateralized	3,875
<b>Restore Louisiana</b>	<u>1,909,270</u>
Loans Receivable, Gross	7,238,033
Less: Allowance for loan losses	<u>(156,534)</u>
Loans Receivable, net of allowance for losses	<u>\$ 7,081,500</u>

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2018

NOTE 5- FIXED ASSETS

Changes in the net book value of Fixed Assets during the year ended December 31, 2018 were as follows:

Description	Balance January 1, 2018	Additions (Deletions)	Balance December 31, 2018
Land	14,967		14,967
Construction Work in Progress	-0-	25,043	25,043
Computer equipment	128,248	2,744	130,993
Furniture and fixtures	17,550	5,517	23,067
Telephone system	975		975
Computer software	87,266	45	87,311
Leasehold improvements	16,996		16,996
Accumulated depreciation	(152,477)	(963)	(153,440)
Accumulated amortization	(97,764)		(97,764)
Total	<u>\$ 15,761</u>	<u>\$ 32,386</u>	<u>\$ 48,148</u>

Depreciation expense totaled \$963 for the year ended December 31, 2018

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, 2018**

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 2018, NewCorp, Inc. had unexpended funds from the following:

State of Louisiana	\$1,760,754
Community Development Financial Institution	728,370
Small Business Fund	16,970
Collaborative for Economic Development	6,743
Foundation for Louisiana	15,791
Minor adjustment	<u>(15)</u>
Total	\$2,528,613

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.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2018

**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, 2018, NewCorp, Inc. held \$53,798 on behalf of these non-profit organizations.

**NOTE 9 - NOTE PAYABLE**

NewCorp, Inc. received a \$100,000 loan in 2008 from the U.S. Small Business Administration (SBA) under its MicroLoan Program which bears an interest rate of 1.375% and a \$650,000 loan in 2017 from the Living Cities Catalyst Fund (LCCC) which bears an interest rate of 2%. In 2018, NewCorp, Inc. secured two lines of credit from Investar Bank for the development of the New Orleans Redevelopment Land development (Notes 14 and 19). The lines mature on September 14, 2019 and bear a variable interest rate of .975% above prime and carry a total balance of \$41,632 as of December 31, 2018. The five year principal maturities and outstanding balance on this long-term debt is as follows:

Principal due in years:	SBA	LCCC	Investar
2019	\$9,687		\$41,632
2020	7,415		
2021	<u>4,806</u>	<u>434,000</u>	<u>0</u>
Total Principal at 12/31/18:	\$21,908	\$434,000	\$41,632

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS/  
NET ASSETS RELEASED FROM RESTRICTION**

During the year ending December 31, 2018, NewCorp, Inc. released \$183,473 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 \$5,679,362. Additionally, NewCorp, Inc is recognizing the income relative to its Restore Louisiana program over the period of repayments. As such, the restricted revenue recorded in this program is 1,909,270. This resulted with NewCorp, Inc. having temporarily restricted net assets totaling \$7,588,632 restricted for making loans to eligible applicants at December 31, 2018.

**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 11- RELATED PARTY TRANSACTIONS**

- (a) NewCorp, Inc. leases office space from the Executive Director. During the year ended December 31, 2018, the Executive Director was paid \$30,000 for rental of this office space.
- (b) NewCorp, Inc. has disbursed loan proceeds to two board members who own small businesses. The board members are not members 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 balance due from the two board members related to the loan totaled \$248,039 at December 31, 2018.
- (c) In 2018, NewCorp, Inc. contracted with a board member to provide professional architectural services. The fee paid was deemed an “arms length” transaction and consistent with market rates for such services.
- (d) A related party, a State-licensed CPA, was contracted to provide accounting services to NewCorp, Inc. in the amount of \$51,769.

**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, 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, 2018 is \$166,524 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, 2018 the Grant Receivable balance is 37,468.39

**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, 2018

**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 either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or 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 and cash equivalents	\$1,640,275	\$1,640,275
Loans Receivable	7,081,500	7,081,500

**FINANCIAL LIABILITIES:**

Note Payable	497,540	497,540
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**NEWCORP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 16- PAST DUE PAYMENTS ON LOAN RECEIVABLES**

Of the gross Loan Receivables of \$7,238,033 at December 31, 2018, there was \$172,323 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 17- 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 settled claims that exceeded this commercial coverage for the year ended December 31, 2018.

**NOTE 18 - BOARD OF DIRECTORS**

The Board of Directors serve in a voluntary capacity and therefore received no compensation during the year ended December 31, 2018.

**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 to be due at a later date or possibly forgiven if certain conditions are met. The land will be developed in conjunction with the New Orleans Redevelopment Authority to build affordable houses.

**NOTE 20- SUBSEQUENT EVENTS**

NewCorp Inc.'s management has evaluated subsequent events through June 30, 2019, which represents the date the financial statements were available to be issued. All 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, 2018

**NOTE 21 - SCHEDULE OF FUNCTIONAL EXPENSES**

	<b>Program Services</b>	<b>Support Services</b>	<b>Total Expense</b>
Salaries & benefits	\$ 273,867	\$ 117,372	\$ 391,239
Health Insurance	190	82	272
Insurance (general)	10,800	4,628	15,428
Advertising	1,036	1,553	2,589
Casual labor	-	1,665	1,665
Bank fees	1,067	267	1,333
Computer expense	721	481	1,202
Depreciation expense	-	963	963
Dues and subscriptions	5,068	-	5,068
Loan interest expense	8,929	-	8,929
Marketing/public relations	-	425	425
Miscellaneous	-	1,368	1,368
Office expenses	2,161	3,241	5,402
Taxes	2,244	-	2,244
Parking	-	259	259
Donations	1,100	-	1,100
Telephone	10,422	10,422	20,843
Training	1,925	-	1,925
Travel	7,429	4,953	12,382
Printing & reproduction	38	-	38
Professional services	109,976	27,494	137,470
Underwriting Expense	160,327	-	160,327
Commission Expense	2,498	-	2,498
Security Expense	523	174	698
Occupancy	34,066	11,355	45,422
Licenses and Permits	46	94	140
Software	1,178	1,766	2,944
Website	420	420	840
Bad debt expense	46,260	-	46,260
Supplies	2,957	2,957	5,913
Sponsorship	288	-	288
Other Office Expense	5,634	5,634	11,268
	<u>\$ 691,167</u>	<u>\$ 197,573</u>	<u>\$ 888,740</u>

## **SUPPLEMENTAL SCHEDULES**

**NEWCORP, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY NUMBER</u>	<u>TO SUBRECIPIENTS</u>	<u>2018 EXPENDITURES OF FEDERAL AWARDS</u>
<b>U.S. Department of Housing and Urban Development</b>				
Pass through State of Louisiana – Division of Administration, Office of Community Development				
Community Development Block Grant	14.218	B-16-DL-22-0001	-0-	\$ <u>2,094,852</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>2,094,852</u>
<b>U.S. Department of Treasury</b>				
Community Development Financial Institutions Pro	21.020	N/A	-0-	<u>360,000</u>
<b>Total U.S. Department of Treasury</b>				<u>360,000</u>
				\$ <u>2,454,852</u>
<b>Total Expenditures of Federal Awards</b>				

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

A. Basis of Presentation

This Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of NewCorp Inc. under programs of the federal government for the year ended December 31, 2018. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Par 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because this SEFA presents only a selected portion of the operations of NewCorp Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of NewCorp Inc.

B. Summary of Significant Accounting Policies

Expenditures reported on this SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

C. Indirect Cost Rate

NewCorp Inc. has not elected the 10% de minimis indirect cost rate.

D. See the Independent Auditor's Report on Supplementary Information.

NEWCORP, INC.

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

For The Year Ended December 31, 2018

Agency Head Name:	Vaughn Fauria	
Purpose		Amount
Salary		\$190,050
Benefits - insurance		272
Benefits - retirement		-
Benefits - other		-
Car allowance		-
Vehicle provided by organization		-
Per diem		-
Reimbursements		-
Travel		5,746
Registration fees		-
Conference Travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
	Total	\$196,068

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

See the Independent Auditor's Report on Supplementary Information

**MICHELLE DIAZ CPA INC.**

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**New Orleans, LA 770163  
Fax (504) 5522-7015**



**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***

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, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 30, 2019.

**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.

**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

June 30, 2019

**MICHELLE DIAZ CPA INC.**

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

Board of Directors  
NewCorp, Inc.

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

I have audited NewCorp, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NewCorp, Inc.'s major federal programs for the year ended December 31, 2018. NewCorp, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of NewCorp, Inc.'s compliance.

## **Opinion on Each Major Federal Program**

In my opinion, NewCorp, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended December 31, 2018.

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

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

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

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

## **Purpose of this Report**

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

*Michelle Diaz CPA Inc.*

New Orleans, Louisiana  
June 30, 2019



**NEWCORP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -CONTINUED**

**For the year ended December 31, 2018**

**B. FINANCIAL STATEMENTS FINDINGS**

There were no findings related to the financial statements for the year ended December 31, 2018.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no items identified in the course of our testing during the current year required to be reported.

**D. STATUS OF PRIOR YEAR AUDIT FINDINGS**

There were no prior year audit findings.

# MICHELLE DIAZ CPA INC

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

To the Board of Directors of NewCorp, Inc. and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by NewCorp, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. NewCorp Inc.'s management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings, wherein exceptions are noted if identified, are as follows:

### ***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

*No exception noted*

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*Exception noted: No written procedure for how vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders, controls to ensure compliance with the public bid law and documentation required to be maintained for all bids and price quotes.*

- c) **Disbursements**, including processing, reviewing, and approving *No exception noted*
- d) **Receipts**, including receiving, recording, and preparing deposits *No exception noted*
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*Exception noted: No written procedure for reviewing and approving time and attendance records, including leave and overtime worked.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

*Exception noted: No written procedure for types of services requiring written contracts, standard terms and conditions, legal review, and monitoring process*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage *N/A*
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers *N/A*
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits. *N/A*
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. *N/A*

### ***Board (or Finance Committee, if applicable)***

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2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*No exception noted*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). *No exception noted*

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan. *N/A*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exception noted*

## ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. *Procedure completed*
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared; *No exception noted*
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; *Exception noted: No evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation*
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period. *N/A*

## ***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. *Procedure completed*
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
  - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.  
*Exception noted: There is no written documentation for the afore-mentioned functions*
  - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.  
*Exception noted: There is no written documentation for the afore-mentioned functions*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location. *Exception noted: Deposits were not made within one day of collection*
  - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions. *Exception noted: There are no sequentially numbered receipts, system reports, or other related collection documentation*
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections. *Exception noted: There is no written documentation for the afore-mentioned function*

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

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8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management’s representation that the listing or general ledger population is complete. *Procedure completed*
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system. *Exception noted: There is no requisition/purchase order system*
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase. *Exception noted: There is no requisition/purchase order system*
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice. *Exception noted: There is no requisition/purchase order system, or receiving reports*
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding

vendors to the entity's purchasing/disbursement system. *Exception noted: The person responsible for processing payments (disbursements) is not prohibited from adding vendors.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases. *Exception noted: the persons with signatory authority or who make the final authorization for disbursements is able to initiate purchases.*
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks. *No exception noted*
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions. *No exception noted*

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***      **[Accountant Note: This section is Not Applicable]**

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.  
  
Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
  - a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
  - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
  - An original itemized receipt (i.e., identifies precisely what was purchased)
  - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

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***Travel and Expense Reimbursement***      **[Accountant Note: This section is Not Applicable]**

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
  - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
  - b) Report whether each expense is supported by:
    - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete. *Procedure completed*
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid. *No exception noted*
  - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice. *Exception noted: the entity elected to utilize its existing vendors and did not solicit quotes.*
  - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment. *N/A*
  - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract. *No exception noted*  
Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter). *No exception noted*

## ***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. *Procedure completed* Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. *No exception noted*
  - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy. *N/A*
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.) *No exception noted*
  - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials. *Exception noted: there is not written documentation that supervisors approved the attendance of its employees.*
  - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave. *No exception noted*
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management. *N/A*
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines. *No exception noted*

## ***Ethics (excluding nonprofits)***

**[Accountant Note: This section is Not Applicable]**

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions

complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

***Debt Service (excluding nonprofits)***

**[Accountant Note: This section is Not Applicable]**

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled. *N/A*
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds. *Exception noted: this notice was not posted on the premises or website.*
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

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

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

*Michelle Diaz CPA Inc.*

New Orleans, LA  
July 1, 2019