

**NEWPORT GROUP SECURITIES, INC.**

**(SEC ID. No. 8-44508)**

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**STATEMENT OF FINANCIAL CONDITION  
AND SUPPLEMENTAL REPORT**

December 31, 2019

**PUBLIC DOCUMENT**

Filed as PUBLIC information pursuant to Rule 17a-5e(3)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
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**ANNUAL AUDITED REPORT**

**FORM X-17A-5**

**PART III**

SEC FILE NUMBER

**8-44508**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2019 AND ENDING December 31, 2019  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Newport Group Securities, Inc.

OFFICIAL USE ONLY

FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

300 Primera Blvd., Suite 200

(No. and Street)

Lake Mary

FL

32746

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Teresa Sherrard

(925) 328-4416

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Deloitte & Touche LLP

individual, state last, first, middle name)

(Area Code – Telephone Number)

555 Mission Street, Suite 1400

San Francisco

California

94105

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

☒... Certified Public Accountant

☐... Public Accountant

☐... Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant*

*must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

Potential persons who are to respond to the collection of information contained in this form are not required to respond

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unless the form displays a currently valid OMB control number.

- ( ) (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ( ) (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ( ) (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ( ) (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (X) (l) An Oath or Affirmation.
- ( ) (m) A copy of the SIPC Supplemental Report.
- ( ) (n) Independent Auditor's Report on Internal Accounting Control

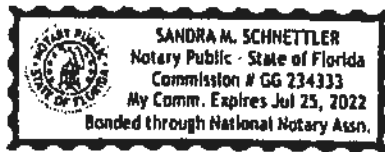
*\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

## OATH OR AFFIRMATION

I, Teresa Sherrard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Newport Group Securities, Inc. as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Teresa J Sherrard  
Signature

FINOP  
Title



Sandra M Schnettler  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.

# NEWPORT GROUP SECURITIES, INC.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Board of Directors of Newport Group Securities, Inc.:

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Newport Group Securities, Inc. (the "Company") as of December 31, 2019, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

*Deloitte + Touche LLP*

March 2, 2020

We have served as the Company's auditor since 2018.

**NEWPORT GROUP SECURITIES, INC.**

**STATEMENT OF FINANCIAL CONDITION**

December 31, 2019

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**ASSETS**

Cash	\$ 7,751,305
Receivables, net	4,794,579
Prepaid expenses and other assets	140,594
Deferred tax asset, net	<u>82,323</u>
Total assets	<u>\$ 12,768,801</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Liabilities:	
Accrued commissions	\$ 702,787
Due to related party	1,692,864
Other liabilities	<u>639,008</u>
Total liabilities	<u>3,034,659</u>
Stockholders' equity:	
Common stock, \$1.00 par value; 2,000 shares authorized; 100 shares issued and outstanding	100
Additional paid-in capital	1,145,230
Retained earnings	<u>8,588,812</u>
Total stockholders' equity	<u>9,734,142</u>
Total liabilities and stockholders' equity	<u>\$ 12,768,801</u>



# **NEWPORT GROUP SECURITIES, INC.**

## **NOTES TO FINANCIAL STATEMENT**

December 31, 2019

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### **1. Nature of Business and Summary of Significant Accounting Policies**

#### ***Nature of Business***

Newport Group Securities, Inc. ("NGS" or the "Company"), a Florida corporation and a wholly owned subsidiary of Newport Group Holdings II, Inc. ("NGH"), is a broker/dealer and registered investment advisor. NGS is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). NGS operates within the exemptive provisions of Rule 15c3-3 pursuant to the provisions of subparagraph k(2)(i) thereof. When acting as a broker/dealer, its marketing and sales activities are devoted primarily to variable life insurance used as funding vehicles within corporate sponsored employee benefit programs. As a registered investment advisor, NGS provides advice on similar investment strategies. Newport Group Securities, Inc.'s target clients for these products and services are publicly held corporations, large private companies and certain high net worth individuals. Newport Group Securities, Inc.'s marketing and sales activities are conducted on a nation-wide basis.

A summary of the Company's significant accounting policies follows:

#### ***Cash***

Cash includes interest-earning deposits, and are held at financial institutions that may exceed federally insured limits. The Company has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk with respect to cash balances held in these financial institutions.

#### ***Receivables, net***

Receivables are primarily for commissions and investment consulting fees. Receivables are recorded at net realizable value. Receivables include \$185,783 of unbilled receivables as of December 31, 2019. Unbilled receivable represents amounts due for services performed that have not been billed. Unbilled receivables are expected to be billed and collected during the next year. An allowance for doubtful accounts is provided based on prior collection experiences and management's analysis of specific accounts. This allowance is reviewed periodically and adjusted for amounts deemed uncollectible by management. At December 31, 2019, in the opinion of management, an allowance for doubtful accounts of \$316,969 was deemed necessary.

# **NEWPORT GROUP SECURITIES, INC.**

## **NOTES TO FINANCIAL STATEMENT**

December 31, 2019

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### ***Income Taxes***

The Company accounts for income taxes using the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using the enacted tax rate. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Deferred income tax expense or credit represents the change during the period in the deferred tax assets and liabilities.

### ***Use of Estimates***

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

### ***Recently Issued Accounting Pronouncement***

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company does not have any long-term leases, therefore the adoption of this standard on January 1, 2019 did not have a material impact on the Company's consolidated financial position and results of operations.

# NEWPORT GROUP SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

December 31, 2019

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In September 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (ASC Topic 326), which amends the FASB's guidance on the impairment of financial

### ***Recently Issued Accounting Pronouncement (continued)***

instruments. The ASU adds to U.S. GAAP an impairment model known as the current expected credit loss ("CECL") model, which is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of lifetime expected credit losses, which the FASB believes will result in more timely recognition of such losses. The new CECL standard is effective for public companies for annual reporting periods beginning after December 15, 2019, and interim periods therein. ASU 2016-13 has a greater impact on banks. However, nonbank entities that have financial instruments or other assets such as trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities are subject to the CECL model. The Company is currently evaluating this standard, it does not expect it to have a significant impact on its financial statements.

On December 18, 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which modifies ASC 740 to simplify the accounting for income taxes. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, Income Taxes. The amendments also improve consistent application or and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in ASU 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Company does not believe adoption of the guidance will have a significant impact on its financial statements.

## **2. Other Liabilities**

Other liabilities consisted of the following as of December 31, 2019:

# NEWPORT GROUP SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

December 31, 2019

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Deferred revenue	\$ 43,108
Accrued investment consulting expense	274,494
Customer Deposits	97,714
Other	<u>223,692</u>
	<u>\$ 639,008</u>

### 3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule ("Rule 15c3-1") which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2019, the Company had net capital as defined, of \$4,164,707 which was \$3,962,396 in excess of its required net capital of \$202,311. At December 31, 2019, the ratio of aggregate indebtedness to net capital was 0.73 to 1. The Company has no liabilities, which are subordinated to the claims of general creditors.

### 4. Related-Party Transactions

On December 1, 2003, the Company entered into an expense sharing arrangement with Newport Group, Inc. ("NGI"), formerly known as The Newport Group, Inc., a sister company. Under the expense sharing arrangement, NGI permits the Company to market and distribute its products and services from NGI's facilities used in conjunction with NGI's business, subject to reimbursement of the expenses associated with such use. Such expenses include but are not limited to: rent, office supplies, telephone, postage, facsimile and copying equipment, travel and entertainment, dues, and subscriptions. NGI will provide the Company with professional support services as it may require to conduct and administer its operations including but not limited to: executive, administrative, accounting, clerical, legal, and sales services; and act as paymaster to those personnel employed by NGI and providing services to the Company. The term of this agreement is one year and is renewable for successive one-year terms unless terminated by either party upon written notice. During 2019, the Company incurred \$14,865,597 in expenses related to its cost sharing agreement with NGI. These expenses are included in various expense items in the accompanying statement of income. As of December 31, 2019, \$187,517 was owed to NGS from NGI related to the cost sharing agreement as amended in July 2018.

As of December 31, 2019, the Company owed \$1,916,967 to its parent company, NGH, for federal and state income taxes for the year ended December 31, 2019.

As of December 31, 2019, \$36,586 was owed from Newport Group Consulting, Inc. ("NGC") for producer fees paid by NGS on behalf of NGC where NGC received the income.

# NEWPORT GROUP SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

December 31, 2019

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### 5. Income Taxes

The components of the net deferred tax asset included in the statement of financial condition as of December 31, 2019 was as follows:

Deferred tax assets:	
Provision for allowance for doubtful accounts	\$ 78,253
Other accruals	<u>4,070</u>
Deferred income taxes, net	<u>\$ 82,323</u>

The Company files federal and state income tax returns on a consolidated basis with NGH where applicable. As such, the Company's tax provision, and related payable, as of and for the year ended December 31, 2018 was prepared using the separate-return method. The Company pays to or receives from NGH amounts equivalent to income tax charges or credits. As of December 31, 2019, \$1,916,967 is owed to NGH for income taxes. Deferred income taxes are established based upon temporary differences within the Company.

In accordance with accounting standards relating to accounting for uncertainty in income taxes, management assessed whether there were any uncertain tax positions that may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements.

With few exceptions, the Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2013.

### 6. Commitments and Contingencies

The Company has entered into agreements with certain underwriters of major life insurance contracts whereby the termination of the insurance and annuity-based variable products by the customers, for any reason other than maturity of the contracts, will result in commission chargeback expense to the Company. The amount of any chargeback would be determined based upon a decreasing percentage and the last contract year completed by the customer over a two to twelve-year period depending upon the individual life insurance carrier. The Company is not aware of any existing chargeback's and based on prior experience has not provided for any chargeback accrual.

**NEWPORT GROUP SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENT**

December 31, 2019

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From time to time, the Company is involved in legal proceedings arising mainly from the ordinary course of its business. In management's opinion, the legal proceedings are not expected to have a material effect on the Company's financial position or results of operations.

**7. Subsequent Events**

The Company evaluated subsequent events for recognition and disclosure through March 2, 2020, the date which this financial statement was issued. Nothing has occurred outside normal operations since that required recognition or disclosure in this financial statement.

## SUPPLEMENTAL INFORMATION



**Deloitte & Touche LLP**  
555 Mission Street  
Suite 1400  
San Francisco, CA 94105  
USA

Tel: +1 415 783 4000  
[www.deloitte.com](http://www.deloitte.com)

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholder and Board of Directors of Newport Group Securities, Inc.:

We have reviewed management's statements, included in the accompanying Newport Group Securities, Inc. Exemption Report, in which (1) Newport Group Securities, Inc. (the "Company") identified the following provisions of 17 C.F.R. § 240.15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: paragraph (k)(2)(i) (the "exemption provisions") and (2) the Company stated that the Company met the identified exemption provisions throughout the year ended December 31, 2019 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

A handwritten signature in black ink that reads "Deloitte + Touche LLP".

March 2, 2020

We have served as the Company's auditor since 2018.



**MANAGEMENT'S ASSERTION ON EXEMPTION SEA RULE 15c3-3(k)**


March 2, 2020

Newport Group Securities, Inc.  
300 Primera Blvd., Suite 200  
Lake Mary, FL 32746

I, Teresa Sherrard, represent the following:

Newport Group Securities, Inc. (the "Company") is exempt from the requirements of SEA Rule 15c3-3(k) under the provisions of paragraph (2)(i) thereunder. The Company has met the requirements of the provisions of paragraph (2)(i), without exception, since it commenced operations, including during the entirety of the fiscal year ended December 31, 2019.

Sincerely,

  
Teresa Sherrard, Financial and Operations Principal