

NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2023

NEW HORIZONS CORPORATION

TABLE OF CONTENTS

	Page
Board of Directors	1
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
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	19
Schedule of Prior Year Findings	21

NEW HORIZONS CORPORATION
BOARD OF DIRECTORS
Year Ended June 30, 2023

Russ Willis
President

Nick Passomato
Treasurer

Strebel Dan
Member

Delana Stevens
Member

April Harrington
Member

Dennis Meehan
Member

Jeremy Davidson
Member

Mary Bryson
Secretary

Rochelle Jason
Vice President

Dean Otto
Member

Jennifer Bennett
Member

Manley Bill
Member

Renee Goodrich
Member

Bill Ellis
Honorary Member

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Horizons Corporation

We have audited the accompanying financial statements of New Horizons Corporation, a nonprofit organization (Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying list of Board of Directors and Schedule of Prior Year Findings, as required by the Tennessee Comptroller of the Treasury, as per the *Auditing and Accounting for Local Governmental Units and Other Organizations*, 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of New Horizons Corporation'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 solely 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 the effectiveness of New Horizons Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering New Horizons Corporation's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, simpler font.

Nashville, Tennessee
November 1, 2023

NEW HORIZONS CORPORATION
STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2023

ASSETS

Cash	\$ 3,399,370
Restricted cash	20,193
Investments	1,094,744
Accounts receivable, net	1,015,922
Prepaid expenses	<u>36,003</u>
Total current assets	5,566,232
Property and Equipment, net	<u>441,724</u>
Total Assets	<u>\$ 6,007,956</u>

LIABILITIES AND NET ASSETS

Accounts payable	118,864
Accrued expenses	294,974
Current installments of long-term debt	<u>6,001</u>
Total current liabilities	<u>419,839</u>
Long-term debt, net of current installments	<u>144,851</u>
Total Liabilities	<u>564,690</u>
Net assets	
Without donor restrictions	5,423,073
With donor restrictions	<u>20,193</u>
Total net assets	<u>5,443,266</u>
Total Liabilities and Net Assets	<u>\$ 6,007,956</u>

See notes to financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Public support:			
Donations and grants	\$ 25,505	\$ -	\$ 25,505
Program service fees	3,598,010	-	3,598,010
Contract services	2,326,990	-	2,326,990
Insurance claim refund	790	-	790
Other income	18,145	-	18,145
Investment income, net	76,334	-	76,334
Net assets released from restrictions	-	-	-
Total revenues and support	<u>6,045,774</u>	<u>-</u>	<u>6,045,774</u>
EXPENSES			
Program services			
Day services	2,529,222	-	2,529,222
Residential services	<u>2,140,398</u>	<u>-</u>	<u>2,140,398</u>
Total program services	<u>4,669,620</u>	<u>-</u>	<u>4,669,620</u>
Supporting Services			
General and administrative	1,329,527	-	1,329,527
Fundraising	<u>7,514</u>	<u>-</u>	<u>7,514</u>
Total supporting services	<u>1,337,041</u>	<u>-</u>	<u>1,337,041</u>
Total expenses	<u>6,006,661</u>	<u>-</u>	<u>6,006,661</u>
CHANGE IN NET ASSETS	39,113	-	39,113
NET ASSETS - Beginning of year	<u>5,383,960</u>	<u>20,193</u>	<u>5,404,153</u>
NET ASSETS - End of year	<u>\$ 5,423,073</u>	<u>\$ 20,193</u>	<u>\$ 5,443,266</u>

See notes to financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Day Services	Residential Services	Total Program Services	General and Administrative	Fundraising	Total
Personnel services	\$ 1,852,338	\$ 834,982	\$ 2,687,320	\$ 783,212	\$ -	\$ 3,470,532
Payroll taxes	142,992	64,116	207,108	59,709	-	266,817
Fringe benefits	15,135	15,297	30,432	25,013	-	55,445
	<u>2,010,465</u>	<u>914,395</u>	<u>2,924,860</u>	<u>867,934</u>	<u>-</u>	<u>3,792,794</u>
Client wages and related expenses	17,861	-	17,861	-	-	17,861
Insurance	100,349	59,093	159,442	180,556	-	339,998
Telephone and utilities	22,611	16,744	39,355	38,465	-	77,820
Postage and shipping	-	-	-	4,068	-	4,068
Communications	-	5,377	5,377	12,989	-	18,366
Rental	-	13,219	13,219	-	-	13,219
Repairs and maintenance	16,877	15,695	32,572	13,269	-	45,841
Vehicle expense	61,169	4,172	65,341	2,158	-	67,499
Supplies	197,952	4,181	202,133	14,234	316	216,683
Travel	23,480	11,642	35,122	973	-	36,095
Living expenses	-	1,069,682	1,069,682	-	-	1,069,682
Bad debts	-	-	-	60,000	-	60,000
Interest	-	-	-	7,802	-	7,802
Miscellaneous	8,215	3,534	11,749	3,601	-	15,350
Memberships	50	-	50	4,529	185	4,764
Professional fees	8,051	850	8,901	105,258	6,267	120,426
Training and Recruiting	375	1,201	1,576	470	77	2,123
Food and beverage	5,030	210	5,240	3,802	669	9,711
Expense support	-	11,801	11,801	-	-	11,801
	<u>2,472,485</u>	<u>2,131,796</u>	<u>4,604,281</u>	<u>1,320,108</u>	<u>7,514</u>	<u>5,931,903</u>
Depreciation	56,737	8,602	65,339	9,419	-	74,758
Total Expenses	<u>\$ 2,529,222</u>	<u>\$ 2,140,398</u>	<u>\$ 4,669,620</u>	<u>\$ 1,329,527</u>	<u>\$ 7,514</u>	<u>\$ 6,006,661</u>

NEW HORIZONS CORPORATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

OPERATING ACTIVITIES

Change in net assets	\$ 39,113
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	74,758
Realized and unrealized loss on investments	(64,800)
Provision for bad debts	60,000
Changes in:	
Accounts receivable, net	63,364
Prepaid expenses	148,927
Accounts payable	(39,141)
Accrued expenses	(113,725)
Net cash provided by operating activities	<u>168,496</u>

INVESTING ACTIVITIES

Purchase of property and equipment	(57,393)
Purchase of investments	(771,864)
Sale of investments	<u>772,181</u>
Net cash used in investing activities	<u>(57,076)</u>

FINANCING ACTIVITIES

Payments on long-term debt	<u>(5,586)</u>
Net cash used in financing activities	<u>(5,586)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 105,834

CASH AND RESTRICTED CASH, Beginning 3,313,729

CASH AND RESTRICTED CASH, Ending \$ 3,419,563

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Cash	\$ 3,399,370
Restricted cash	<u>20,193</u>
CASH AND RESTRICTED CASH, Ending	<u><u>\$ 3,419,563</u></u>

See notes to financial statements.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Description of Programs

New Horizons Corporation (the Organization), a nonprofit organization located in Nashville, Tennessee, was formed in 1971 to provide the following:

Day Services

Employment / facility based services – This service facilitates access and support activities such as competitive employment, self-employment, enclaves and work crews. The supported workshop program was discontinued during the fiscal year ending June 30, 2020. The remaining employment and facility-based services are still operating as of June 30, 2023.

Community based / in home services – This service enables the service recipients to participate in an integrated setting with other community members who may or may not have a disability. These supports may be provided in the home, if there is a health, behavioral or other medical reason, or if the individual has chosen retirement. Supports may facilitate job exploration, volunteer work, educational activities, and other meaningful, measurable community activities that promote developing and maintaining relationships.

Residential Services

Supported Living – Residential service with individualized service and supports in either a shift or companion home where the provider (New Horizons) staffs the home and employs the caregivers.

Family Model – Residential service with individualized service and supports in the home of trained caregivers other than the family of origin. The caregivers are overseen by the provider (New Horizons) as contracted individuals.

Personal Assistance – Provision of direct assistance with activities of daily living, usually provided in the service recipient's home.

Our principal funding is provided by the State of Tennessee Department of Intellectual and Developmental Disabilities (DIDD), production facility contracts, community-based employment contracts, and residential services.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applied consistently which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors. Restrictions fulfilled in the same accounting period in which are received are reported in the Statement of Activities as without donor restrictions.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Fair Value Measurements

The fair value of financial instruments including cash and cash equivalents, investment, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses, and other liabilities approximate carrying value due to the short-term nature of these accounts.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.
- Level 2: financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.
- Level 3: financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

As discussed above, we are required to report fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. We used the following ways to determine the fair values of the investments:

There were no triggering events that required fair value measurements of the Organization's non-financial assets and liabilities at June 30, 2023.

Cash and Cash Equivalents

All unrestricted cash and investment instruments with original maturities of three months or less are considered cash and cash equivalents. At June 30, 2023, the Organization no cash equivalents.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value based on quoted prices in active markets. Net Investment return, which consists of interest and dividend income earned, realized gains (losses) and unrealized appreciation (depreciation) on those investments, is included in the statements of activities, net of investment expenses. Gains (losses) on sales of investments are generally determined on a specific cost identification basis.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with various types of investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

The Organization reports fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. Fair values of the investments were determined as follows:

- Stock & EFTs are publicly traded and reported as Level 1 the amounts.
- Fixed income securities are priced by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value and reported as Level 2 the amounts.

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended June 30, 2023.

Accounts and Contributions Receivable

Accounts receivable consist of amounts due from services rendered and are presented net of an allowance for doubtful accounts. Management's estimate of uncollectible amounts is based on historical collection experience and a review of the current status of the account. It is reasonably possible that management's estimate of the allowance for uncollectible accounts could change. At June 30, 2023, we had an allowance for doubtful accounts of \$ 117,847.

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current contributions receivable to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. At June 30, 2023, there were no long-term contributions receivable.

Property and Equipment

Property and equipment are stated at cost at date of purchase or at estimated fair market value at date of gift. Repairs and maintenance are charged to expense as incurred. Purchases with a cost of \$500 or more and an estimated useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 25 years.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition for Contracts with Customers

The Organization derives its revenue primarily from program service fees and contract services income, contributions and government contracts for day and residential services.

Program service fees and contract services income are recognized in the period in which services are provided based on a contractual rate per client per day. Rates paid to us are determined by the State of Tennessee per client based on the level of care required. In addition, the funding received from the State of Tennessee is subject to audit and retroactive adjustment.

Revenue recognition is subject to the completion of performance obligations. A performance obligation is a promise to transfer a distinct good or service to the customer. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization contracts typically have one performance obligation that is based on the good or service specifically described in the contracts.

The Organization's performance obligations are satisfied at a point and time, and it is then that revenue is recognized.

Revenue from services transferred to customers at a point in time accounted for 100% of revenue for the year ended June 30, 2023. Further, at June 30, 2023, 100% of accounts receivable consist of revenue from contracts with customers.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses for the year ended June 30, 2023 present the natural classification detail of expenses by function. Expenses that can be directly attributed to one function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. Therefore, no provision for federal income taxes is included in the accompanying financial statements. Management believes there are no uncertain tax positions for the year ended June 30, 2023. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Concentrations of Credit Risk

The Organization maintains cash and cash equivalents accounts at financial institutions with strong credit ratings. Cash and certificates of deposit balances are insured by the FDIC up to \$250,000. The Organization may at times have deposits with financial institutions in excess of insured amounts. Management is aware that a risk of exposure exists for deposits in excess of the insured levels. The Organization has not experienced any losses in such accounts.

Recently Adopting Accounting Standard

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance in Topic 840, Leases. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Organization adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. As of July 1, 2022, adoption of Topic 842 did not result in any material adjustments to statement of financial position accounts related to lessor accounting.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through November 1, 2023, the date the financial statements were available to be issued.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 2 — LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Cash	\$ 3,399,370
Investments	1,094,744
Accounts receivable, net	<u>1,015,922</u>
	<u>\$ 5,510,036</u>

The Organization has certain board-designated assets limited to use, which are available for general expenditure within one year in the normal course of operations in the amount of \$1,651,809. Accordingly, these assets have been included in the qualitative information above. The Organization also has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above and are described in NOTE 8.

NOTE 3 — INVESTMENTS

The following table summarizes financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stock & EFTs	\$ 522,512	\$ -	\$ -	\$ 522,512
Fixed Income	<u>-</u>	<u>572,232</u>	<u>-</u>	<u>572,232</u>
	<u>\$ 522,512</u>	<u>\$ 572,232</u>	<u>\$ -</u>	<u>\$ 1,094,744</u>

The total cost basis of these investments amounted to \$1,057,676 at June 30, 2023.

Investments valued using readily determinable values consisted of the following at June 30, 2023:

Stock & EFTs	\$ 522,512
Fixed Income	<u>572,232</u>
	<u>\$ 1,094,744</u>

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 3 — INVESTMENTS (Continued)

The following is a schedule of changes in investments for the year ended June 30, 2023:

Dividend and interest income	\$ 16,153
Administrative expenses	(4,619)
Realized loss	(44,811)
Unrealized gain	109,611
Investment income, net	<u>\$ 76,334</u>

NOTE 4 — ACCOUNTS RECEIVABLE

At June 30, 2023, accounts receivable consisted of the following:

Community Rehabilitation Agencies of Tennessee	\$ 503,522
Tennessee Department of Finance	474,769
Other	155,478
Less: Allowance for doubtful accounts	<u>(117,847)</u>
Accounts receivable, net	<u>\$ 1,015,922</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023:

Land improvements	\$ 82,321
Buildings	1,353,330
Equipment	625,327
Vehicles	792,654
	<u>2,853,632</u>
Less accumulated depreciation	<u>(2,411,908)</u>
Property and Equipment, net	<u>\$ 441,724</u>

Depreciation expense for the year ended June 30, 2023 was \$74,758.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 6 — ACCRUED EXPENSES

At June 30, 2023, accrued expenses consisted of the following:

Accrued wages and bonuses	\$ 60,754
Accrued vacation	99,345
Other	134,875
	<hr/>
Accrued expenses	\$ 294,974
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NOTE 7 — LONG-TERM DEBT

Long-term debt at June 30, 2023 consists of the following:

Note payable to Pinnacle Bank with a maturity of March 19, 2040. Monthly payments of \$1,115 are required including interest at 5.00%. The note is collateralized by the Organization's Woodridge property. This note does not	\$ 150,852
Less: current maturities	(6,001)
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Long-term debt, noncurrent portion	\$ 144,851
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The following is a list of future maturities for the years ended June 30:

2024	\$ 6,001
2025	6,308
2026	6,631
2027	6,970
2028	7,327
Thereafter	117,615
	<hr/>
	\$ 150,852
	<hr/>

NOTE 8 — NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023, the Organization's assets with donor restrictions were as follows:

Cash for exercise equipment	\$ 4,270
Cash for scholarships	15,706
Cash for client technology	109
Cash for living expense support	108
	<hr/>
	\$ 20,193
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NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 8 — NET ASSETS WITH DONOR RESTRICTIONS (Continued)

At June 30, 2023, our Board of Directors has designated the following to be used for future projects:

Maintenance reserve	\$ 234,097
Building maintenance reserve	35,147
Pinnacle reserve	371,810
Investments	<u>1,010,755</u>
	<u>\$ 1,651,809</u>

NOTE 9 – LEASE AGREEMENTS

We entered into a lease for real property with the State of Tennessee during the year ended June 30, 1989, which will expire in the year 2039. This is a lease agreement and is not considered a donor relationship. The minimum payment under the lease is one dollar per year. All improvements to the property will be surrendered to the lessor at the expiration of the lease, at the lessor's option. The surrender of leasehold improvements does not constitute restrictions of our assets, as it is not unusual for leasehold improvements to revert to the lessor at the end of a lease. We will amortize these improvements over the life of the lease and the net book value at the end of the lease will be \$0 when they are disposed. We have not recorded any in-kind revenue or expense for the fair market value of the leased land due to the amount being undeterminable.

We lease a copier and other equipment under lease arrangements classified as operating leases. The copier lease is payable in monthly payments of \$312 and expires in November 2025.

We also lease certain property for our clients and are reimbursed for those costs by the clients. There are no amounts due to us for reimbursement of rent at June 30, 2023, and we expect this status to remain constant in the next fiscal year. Additionally, these lease terms generally do not exceed one year.

Total rent expense for the year ended June 30, 2023, was \$ 13,219.

NOTE 10 — CONCENTRATION OF CREDIT RISK

At June 30, 2023, two customers, the State of Tennessee Department of Finance & Administration and Community Rehabilitation Agencies of Tennessee, owed us approximately 86% of the total accounts receivable.

NEW HORIZONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE 11 — 401(K) PLAN

We have a 401(k) plan (the “plan”) for the benefit of our employees, which is administered by Empower (formerly Great West) as the record-keeper. Under the Plan, employees may contribute a percentage of their annual base compensation, which we match up to 3% of compensation. An employee must have been employed for a minimum of six months and have attained the age of 20 and one-half years on or before the anniversary date of the plan to participate in the program. Employee benefits are fully vested after they have participated in the program for six years on the anniversary date of the Plan. Vesting begins after the employee has participated in the program for a minimum of two years as of the anniversary date of the Plan. As of January 1, 2022, the plan was changed to safe harbor 401(k) plan and safe harbor matching contribution. During the year ended June 30, 2023, the Organization contributed \$55,445 to the Plan.

NOTE 12 — CONTINGENCIES

The Organization did not receive annual audits or file Form 5500 in accordance with DOL regulations for large filer plans for several years until April 7, 2021, when prior year audits and Form 5500s were properly filed. As a result, the Organization is subject to extensive penalties and interest that are not determinable as of November 1, 2023. We have completed filings for all years and engaged a reputable third party record keeper to assist in the filing of all delinquent audits and returns through the Voluntary Compliance Program in 2021, however no status update was available as of November 1, 2023.

The Organization has been named as a defendant in a lawsuit. As of the date these financial statements were available to be issued, it is not possible to predict the eventual outcome of current legal action, nor has it been deemed probable that significant loss will be incurred by the Organization.

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

To the Board of Directors of
New Horizons Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Horizons Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 our report thereon dated November 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Horizons Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Horizons Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of New Horizons Corporation's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Horizons Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, simpler font.

Nashville, Tennessee
November 1, 2023

NEW HORIZONS CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Financial Statement Findings:

None noted.