

2020
Financial Statements
With
Auditor's Letters

NEW HORIZONS CORPORATION

d.b.a. NEW HORIZONS LIFE SKILLS
FINANCIAL STATEMENTS

JUNE 30, 2020

(With Independent Auditor's Report Thereon)

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
FINANCIAL STATEMENTS
JUNE 30, 2020

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NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
BOARD OF DIRECTORS
JUNE 30, 2020

Russ Willis
President

Mary Bryson
Secretary

Ed Holman
Treasurer

Bill Manley
Finance Committee

Jason Rochelle
Finance Committee

Dean Otto
Member

Nick Passomato
Member

Maylene Jones
Member

April Harrington
Member

Bill Ellis
Honorary Member



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Horizons Corporation
d.b.a New Horizons Life Skills

Report on the Financial Statements

We have audited the accompanying financial statements of New Horizons Corporation d.b.a. New Horizons Life Skills (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons Corporation d.b.a. New Horizons Life Skills as of June 30, 2020, 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.

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
FINANCIAL STATEMENTS
JUNE 30, 2020

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, the 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 October 1, 2020, on our consideration of New Horizons Corporation d.b.a. New Horizons Life Skills' 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 d.b.a. New Horizons Life Skills' 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 d.b.a. New Horizons Life Skills' internal control over financial reporting and compliance.



October 1, 2020

NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

ASSETS

Current Assets:

Cash	\$ 2,448,403	
Restricted cash	30,831	
Investments	1,025,782	
Accounts receivable, net	964,545	
Prepaid expenses	<u>31,650</u>	
Total current assets		\$ 4,501,211

Property and Equipment:

Land improvements	80,321	
Building	1,376,804	
Equipment	569,704	
Vehicles	<u>779,224</u>	
	2,806,053	
Less: accumulated depreciation	<u>(2,067,150)</u>	
Total property and equipment		738,903

Total assets		<u>\$ 5,240,114</u>
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See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2020

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 261,273	
Accrued expenses	269,368	
Current installments of long-term debt	<u>5,167</u>	
Total current liabilities		\$ 535,808

Long-term debt, net of current installments	<u>161,628</u>	
Total liabilities		161,628

Net Assets:

Without donor restrictions	4,511,846	
With donor restrictions	<u>30,832</u>	
Total net assets		<u>4,542,678</u>
Total liabilities and net assets		<u>\$ 5,240,114</u>

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
d,b,a, NEW HORIZONS LIFE SKILLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Donations	\$ 29,231	\$ 20,000	\$ 49,231
Grants	105,874	5,000	110,874
Program service fees	4,079,358	-	4,079,358
Contract services	2,275,355	-	2,275,355
Gain on disposal of assets	6,276	-	6,276
Investment income, net	38,661	-	38,661
Net assets released from restriction	4,294	(4,294)	-
	<u>6,539,049</u>	<u>20,706</u>	<u>6,559,755</u>
Total public support and revenues			
Expenses:			
Program services:			
Day services	2,639,878	-	2,639,878
Residential services	2,404,596	-	2,404,596
	<u>5,044,474</u>	<u>-</u>	<u>5,044,474</u>
Total program services			
Supporting services:			
Management and general	1,311,976	-	1,311,976
Fundraising	31,971	-	31,971
	<u>1,343,947</u>	<u>-</u>	<u>1,343,947</u>
Total supporting services			
Total program and supporting services	<u>6,388,421</u>	<u>-</u>	<u>6,388,421</u>
Increase in net assets	150,628	20,706	171,334
Net assets - beginning of year	<u>4,361,218</u>	<u>10,126</u>	<u>4,371,344</u>
Net assets - end of year	<u>\$ 4,511,846</u>	<u>\$ 30,832</u>	<u>\$ 4,542,678</u>

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services		
	Day Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel services	\$ 1,829,158	\$ 1,160,389	\$ 2,989,547	\$ 832,901	\$ -	\$ 3,822,448
Payroll taxes	134,645	82,835	217,480	60,383	-	277,863
Fringe benefits	9,045	14,953	23,998	18,115	-	42,113
Total personnel costs	1,972,848	1,258,177	3,231,025	911,399	-	4,142,424
Client wages and related expenses	29,501	-	29,501	-	-	29,501
Insurance	97,726	49,798	147,524	153,051	-	300,575
Telephone and utilities	35,843	19,225	55,068	33,943	-	89,011
Postage and shipping	504	-	504	3,444	471	4,419
Printing	-	22	22	154	4,713	4,889
Communications	-	6,628	6,628	8,835	-	15,463
Rental	-	28,488	28,488	-	-	28,488
Repairs and maintenance	49,615	8,793	58,408	10,760	-	69,168
Vehicle expense	55,699	1,989	57,688	5,133	-	62,821
Supplies	177,348	4,905	182,253	13,265	1,012	196,530
Travel	31,434	17,392	48,826	4,996	96	53,918
Living expenses	-	976,487	976,487	-	-	976,487
Bad debts	-	-	-	11,261	-	11,261
Interest	-	-	-	2,245	-	2,245
Miscellaneous	2,774	111	2,885	8,966	-	11,851
Memberships	50	-	50	5,771	133	5,954
Professional fees	35,162	280	35,442	112,322	24,178	171,942
Training and Recruiting	2,484	550	3,034	2,248	826	6,108
Food and beverage	2,618	632	3,250	2,501	542	6,293
Expense support	-	19,094	19,094	-	-	19,094
Scholarships	11,363	-	11,363	-	-	11,363
Total expenses before depreciation	2,504,969	2,392,571	4,897,540	1,290,294	31,971	6,219,805
Depreciation	134,909	12,025	146,934	21,682	-	168,616
Total expenses	\$ 2,639,878	\$ 2,404,596	\$ 5,044,474	\$ 1,311,976	\$ 31,971	\$ 6,388,421

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities:		
Increase in net assets		\$ 171,334
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities:		
Depreciation	168,616	
Gain on disposal of fixed assets	(6,276)	
Realized and unrealized gain on investments	(14,254)	
Changes in:		
Accounts receivable	75,229	
Prepaid expenses	(1,689)	
Accounts payable	(67,374)	
Accrued expenses	40,613	
		<u>194,865</u>
Net cash provided by operating activities		366,199
Cash Flows From Investing Activities:		
Purchase of property and equipment	(212,390)	
Proceeds from sale of fixed assets	7,059	
Purchase of investments	(581,684)	
Proceeds from sale of investments	219,105	
Net cash used in investing activities		<u>(567,910)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt	(1,205)	
Net cash used in financing activities		<u>(1,205)</u>
Net decrease in cash		(202,916)
Cash and restricted cash - beginning of year		<u>2,682,150</u>
Cash and restricted cash - end of year		<u>\$ 2,479,234</u>

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities and Description of Programs

In these notes, the terms "Organization", "we", "us" or "our" mean New Horizons Corporation d.b.a New Horizons Life Skills, a nonprofit organization located in Nashville, Tennessee. We were 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, 2020.

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 relationships 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 on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

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 the contributions are received are reported in the Statement of Activities as unrestricted.

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.

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2020, there are no cash equivalents.

Accounts and Contributions Receivable

Accounts receivable is recorded in accordance with generally accepted accounting principles, and we use the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and our analysis of specific accounts. At June 30, 2020, we had an allowance for doubtful accounts of \$21,477.

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, 2020, there were no long-term contributions receivable.

Investments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

The following table summarizes our 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Market Linked Certificate of Deposits	\$ -	\$ 581,418	\$ -	\$ 581,418
Money Market Funds and Equities	444,363	-	-	444,363
	<u>\$ 444,363</u>	<u>\$ 581,418</u>	<u>\$ -</u>	<u>\$ 1,025,781</u>

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Investments (continued)

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 beneficial interest in agency endowment fund and investments, respectively:

- We obtained a summary investment statement from Wells Fargo Advisors with the value of the investments as of June 30, 2020. The amounts reported as Level 1 are due to the Money Market Funds and Equities being publicly traded and the amounts reported as Level 2 are due to the Market Linked Certificate of Deposits.

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended June 30, 2020.

A reconciliation of changes in the amounts reported for the assets valued using Level 3 inputs are included in Note 4.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Our capitalization policy is to capitalize any expenditures over \$500 for any fixed asset purchased. Expenditures for repairs and maintenance are charged to expense as incurred.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on an invoice by invoice basis. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

The fair value of the long-term debt approximates the carrying amount and is estimated based on the current rate offered to us.

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Fee income is 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.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Performance Obligations Satisfied at a Point in Time

Revenues that do not satisfy the criteria for recognition over time are recognized at a point in time. Upon fulfillment of the performance obligation, which is the services provided to the customer, revenue is recognized. The Company believes that point in time recognition remains appropriate and will continue to recognize revenues as services are provided. Revenue from services transferred to customers at a point in time accounted for 100% of revenue for the year ended June 30, 2020. Further, at June 30, 2019, 100% of our accounts receivable were revenue from contracts with customers.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued an Accounting Standard Update that will affect the Company's revenue recognition. Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. We have adopted this standard retrospectively during 2019. The adoption of this standard had no effect on beginning Net Assets on our statement operations and Net Assets for the year ended June 30, 2020.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at June 30, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

NOTE 2 - Availability and Liquidity

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

Financial assets for the year ended

Cash	\$ 2,448,403
Investments	1,025,782
Accounts receivable, net	<u>964,545</u>
	<u>\$ 4,438,730</u>

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - Availability and Liquidity

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 6.

In the next fiscal year, we plan to receive the same level of income from government contracts, and consider this income for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts including money market accounts to generate interest.

This cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 - Accounts Receivable

At June 30, 2020, accounts receivable consisted of the following:

Community Rehabilitation Agencies of Tennessee	\$ 539,313
Tennessee Department of Finance	359,721
Other	86,988
Less: Allowance for doubtful accounts	<u>(21,477)</u>
	<u>\$ 964,545</u>

NOTE 4 – Investments

Investments valued using readily determinable values consisted of the following at June 30, 2020:

Stocks & ETFs	\$ 126,864
Fixed Income	581,418
Mutual Funds	<u>317,500</u>
	<u>\$ 1,025,782</u>

NOTE 5 - Accrued Expenses

At June 30, 2020, accrued expenses consisted of the following:

Accrued wages and bonuses	\$ 163,829
Accrued vacation	<u>105,539</u>
	<u>\$ 269,368</u>

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - Net Assets

At June 30, 2020, our Board of Directors has designated the following to be used for future projects:

Maintenance reserve	\$ 233,707
Building maintenance reserve	54,720
Pinnacle reserve	371,137
	<u>\$ 659,564</u>

Also at June 30, 2020, we had assets whose use was restricted by the donors as follows:

Cash for vehicles	\$ 5,856
Cash for exercise equipment	4,270
Cash for scholarships	15,706
Cash for client technology	5,000
	<u>\$ 30,832</u>

NOTE 7 - 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 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 also lease a copier and other equipment under lease arrangements classified as operating leases. The copier lease is payable in monthly payments of \$283 and expires in November 2022.

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, 2020, 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, 2020, was \$28,488 .

NOTE 8 - Long-term Debt

Long-term debt at June 30, 2020 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 carry restrictive covenants.	\$ 166,795
Less: current maturities	<u>(5,167)</u>
	<u>\$ 161,628</u>

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - Concentration of Credit Risk

At June 30, 2020, two customers, the State of Tennessee Department of Finance & Administration and Community Rehabilitation Agencies of Tennessee, owed us approximately 91% of the total accounts receivable.

We maintain our cash in banks which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that it is exposed to any significant credit risk on our cash.

NOTE 10 - 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. During the year ended June 30, 2020, we contributed \$42,113 to the Plan.

NOTE 11 - Contingencies

We have not filed our form 5500 in a number of years and have not been assessed any interest or penalties as of June 30, 2020. We have engaged with Acuff & Associates to prepare the previous returns. An extension was filed timely for our 2018 form 5500.

During the year ended June 30, 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12 - New Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, Leases (Topic 842). The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2020, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2020. As of October 1, 2020, the date the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor or Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Expenditures
<u>Federal Awards</u>				
Pass-through Funding:				
U.S. Dept. of Transportation Federal Transit Administration Passed through Tennessee Department of Transportation	Elderly Persons and Individuals With Disabilities - Capital Assistance	20.513	40100-01219	\$ 91,135
TOTAL FEDERAL AWARDS				91,135
<u>State Financial Assistance</u>				
TN Dept. of Transportation	State portion of Federal Transit Formula Grants	N/A	99-5310-S3-320	19,739
TOTAL STATE AWARDS				19,739
TOTAL FEDERAL AND STATE AWARDS				\$ 110,874

Note 1 - Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards summarized the expenditures of New Horizons Corporation. under programs of the federal and state government for the year ended June 30, 2020. This schedule is presented using the accrual basis of accounting.

Note 2 - The total grant amount of \$110,874 was in noncash items.

Note 3 - New Horizons Corporation allocates indirect costs using a method other than the de minimus indirect 10% cost method.

Internal Control and Compliance Section

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



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

**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
d.b.a. New Horizons Life Skills

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 d.b.a. New Horizons Life Skills (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Patterson Handley & Ballentine

October 1, 2020

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Findings:

There were no prior findings reported.