2018

Financial Statements
With
Auditor's Letters

NEW HORIZONS CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2018

(With Independent Auditor's Report Thereon)

NEW HORIZONS CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2018

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NEW HORIZONS CORPORATION
BOARD OF DIRECTORS
JUNE 30, 2018

Larry Garrett, CPA President	Russ Willis Vice President
Ed Holman Treasurer	Mary Bryson Co-secretary
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PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Horizons Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of New Horizons Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018, 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.

Patterson Hardee & Ballentine

November 2, 2018

NEW HORIZONS CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

ASSETS

Current Assets:		
Cash	$ 3,118,732	
Accounts receivable, net	1,162,141	
Prepaid expenses	17,335	
Total current assets		$ 4,298,208
Property and Equipment:		
Land improvements	74,171	
Building	1,133,821	
Equipment	594,582	
Vehicles	629,473	
	2,432,047	
Less: accumulated depreciation	(1,888,800)	
Total property and equipment		543,247
Assets Whose Use Is Limited:		
Cash	9,370	
Total assets whose use is limited		9,370
Total assets		$ 4,850,825

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF FINANCIAL POSITION (continued)
AS OF JUNE 30, 2018

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$ 260,005	
Accrued expenses	219,162	
Total current liabilities		$ 479,167
Net Assets:		
Unrestricted	2,707,388	
Unrestricted - board designated	1,654,900	
Total unrestricted net assets		4,362,288
Temporarily restricted	9,370	
Total temporarily restricted net assets		9,370
Total net assets		4,371,658
Total liabilities and net assets		$ 4,850,825

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Donations	$ 20,187	$ 20,000	$ 40,187
Program service fees	4,515,873	-	4,515,873
Contract services	2,304,370	-	2,304,370
Loss on disposal of assets	(19,081)	-	(19,081)
Interest income	3,710	-	3,710
Net assets released from restriction	14,900	(14,900)	-
Total public support and revenues	6,839,959	5,100	6,845,059
Expenses:			
Program services:			
Day services	3,035,751	-	3,035,751
Residential services	2,648,500	-	2,648,500
Total program services	5,684,251	-	5,684,251
Supporting services:			
Management and general	1,317,756	-	1,317,756
Fundraising	4,205	-	4,205
Total supporting services	1,321,961	-	1,321,961
Total program and supporting services	7,006,212	-	7,006,212
Increase/(decrease) in net assets	(166,253)	5,100	(161,153)
Net assets- beginning of year	4,528,541	4,270	4,532,811
Net assets - end of year	$ 4,362,288	$ 9,370	$ 4,371,658

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services		
	Day Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel services	$ 1,920,892	$ 1,106,370	$ 3,027,262	$ 871,844	$ -	$ 3,899,106
Payroll taxes	142,533	82,281	224,814	61,916	-	286,730
Fringe benefits	10,258	12,708	22,966	20,750	-	43,716
Total personnel costs	2,073,683	1,201,359	3,275,042	954,510	-	4,229,552
Client wages and related expenses	179,236	-	179,236	-	-	179,236
Insurance	151,809	71,866	223,675	49,556	-	273,231
Telephone and utilities	44,584	15,825	60,409	33,102	-	93,511
Postage and shipping	554	-	554	3,478	-	4,032
Communications	-	5,357	5,357	8,109	-	13,466
Rental	-	36,516	36,516	-	-	36,516
Repairs and maintenance	52,149	8,933	61,082	10,447	-	71,529
Vehicle expense	64,326	1,052	65,378	5,941	-	71,319
General liability, vehicle, d&o, and employment practices insurance	-	97,978	97,978	-	-	97,978
Supplies	198,386	6,665	205,051	16,546	552	222,149
Travel	74,459	34,926	109,385	507	-	109,892
Living expenses	-	1,167,335	1,167,335	-	-	1,167,335
Bad debts	-	-	-	23,384	-	23,384
Miscellaneous	384	742	1,126	26,337	-	27,463
Memberships	50	-	50	5,960	-	6,010
Professional fees	20,897	3,042	23,939	126,646	3,383	153,968
Food and beverage	3,818	746	4,564	4,561	270	9,395
Scholarships	-	-	-	28,562		28,562
Total expenses before depreciation	2,864,335	2,652,342	5,516,677	1,297,646	4,205	6,818,528
Depreciation	155,847	11,727	167,574	20,110	-	187,684
Total expenses	$ 3,020,182	$ 2,664,069	$ 5,684,251	$ 1,317,756	$ 4,205	$ 7,006,212

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:		
Decrease in net assets		$ (161,153)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	187,684	
Loss on disposal of fixed assets	19,081	
Changes in:		
Accounts receivable	(14,647)	
Prepaid expenses	(2,650)	
Assets whose use is limited	(5,100)	
Accounts payable	75,771	
Accrued expenses	(2,511)	
		257,628
Net cash provided by operating activities		96,475
Cash Flows From Investing Activities:		
Purchase of property and equipment	(50,475)	
Liquidation of certificates of deposit	426,677	
Proceeds from sale of fixed assets	1,500	
Net cash provided by investing activities		377,702
Net increase in cash		474,177
Cash - beginning of year		2,644,555
Cash - end of year		$ 3,118,732

See accompanying notes to the financial statements.

NOTE 1 - Summary of Significant Accounting Policies

a. Nature of Activities and Description of Programs

In these notes, the terms "Organization", "we", "us" or "our" mean New Horizons Corporation, 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.

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.

b. 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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by our actions and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to permanent or long-term donor- imposed stipulations. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

NOTE 1 - Summary of Significant Accounting Policies (continued)

c. 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, 2018, there are no cash equivalents.

d. 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, 2018, we had an allowance for doubtful accounts of $35,727.

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, 2018, there were no long-term contributions receivable.

e. 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.

f. 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.

g. 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.

h. 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.

i. 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. Current assets and current liabilities are categorized as level 1 in the fair value hierarchy.

NOTE 1 - Summary of Significant Accounting Policies (continued)

j. Revenue Recognition

We report contributions as unrestricted support if they are received with no donor or grantor restrictions that limit the use of the contributions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and are recorded as such, unless specifically restricted by the donor. Revenues from government agency contracts and fees are recognized in the period in which we provide the service.

NOTE 2 - Accounts Receivable

At June 30, 2018, accounts receivable consisted of the following:

Community Rehabilitation Agencies of Tennessee	$ 586,502
Tennessee Department of Finance	495,894
Other	115,472
	1,197,868
Less: Allowance for doubtful accounts	(35,727)
	$ 1,162,141

NOTE 3 - Accrued Expenses

At June 30, 2018, accrued expenses consisted of the following:

Accrued wages and bonuses	$ 150,003
Accrued vacation	69,159
	$ 219,162

NOTE 4 - Net Assets

At June 30, 2018, our Board of Directors has designated the following to be used for future maintenance projects:

Maintenance reserve	$ 230,944
Building maintenance reserve	54,594
Pinnacle reserve	1,369,362
	$ 1,654,900

Also at June 30, 2018, we had assets whose use was restricted by the donors as follows:

Cash for vehicles	$ 5,100
Cash for exercise equipment	4,270
	$ 9,370

NOTE 5 - 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 $498 and expires in October 2018.

NOTE 5 - Lease Agreements (continued)

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, 2018, and we expect this status to remain constant in the next fiscal year.

Total rent expense for the year ended June 30, 2018, was $36,517. All of the $36,517 was related to client lease obligations we have to pay. Future minimum lease payments are as follows:

For the year ending June 30,	
2019	$ 12,596
2020	1
2021	1
2022	1
2023	1
Thereafter	16
	$ 12,616

NOTE 6 - Concentration of Credit Risk

At June 30, 2018, two customers, the State of Tennessee Department of Finance & Administration and Community Rehabilitation Agencies of Tennessee, owed us approximately 90% 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 7 - 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, 2018, we contributed $43,716 to the Plan.

NOTE 8 - Loss Contingency

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, 2018. We have engaged with Acuff & Associates to prepare the previous returns. An extension was filed timely for our 2017 form 5500.

NOTE 9 - New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

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, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 10 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2018. As of November 2, 2018, 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.

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

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, 2018, 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 November 2, 2018.

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) 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'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 may exist that have not been identified.

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 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*.

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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 Hardee & Ballentine

November 2, 2018

NEW HORIZONS CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Financial Statement Findings:

There were no prior findings reported.