

2019
Financial Statements
With
Auditor's Letters

NEW HORIZONS CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2019

(With Independent Auditor's Report Thereon)

NEW HORIZONS CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2019

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NEW HORIZONS CORPORATION
BOARD OF DIRECTORS
JUNE 30, 2019

Russ Willis
President

Mary Bryson
Secretary

Ed Holman
Treasurer

Maylene Jones
Member

Bill Manley
Member

Dean Otto
Member

Nick Passomato
Member

Jason Rochelle
Member



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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for* 1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial 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 31, 2019, 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 Harder & Ballentine

October 31, 2019

NEW HORIZONS CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

ASSETS

Current Assets:

Cash	\$ 2,672,024	
Investments	648,949	
Accounts receivable, net	1,039,774	
Prepaid expenses	<u>29,961</u>	
Total current assets		\$ 4,390,708

Property and Equipment:

Land improvements	80,321	
Building	1,140,795	
Equipment	599,545	
Vehicles	<u>697,501</u>	
	2,518,162	
Less: accumulated depreciation	<u>(1,990,250)</u>	
Total property and equipment		527,912

Assets Whose Use Is Limited:

Cash	<u>10,126</u>	
Total assets whose use is limited		<u>10,126</u>
Total assets		<u><u>\$ 4,928,746</u></u>

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF FINANCIAL POSITION (continued)
AS OF JUNE 30, 2019

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 328,647	
Accrued expenses	<u>228,755</u>	
Total current liabilities		\$ 557,402

Net Assets:

Without donor restrictions	4,361,218	
With donor restrictions	<u>10,126</u>	
Total net assets		<u>4,371,344</u>
Total liabilities and net assets		<u><u>\$ 4,928,746</u></u>

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Donations	\$ 5,834	\$ 20,000	\$ 25,834
Grants	64,800	-	64,800
Program service fees	4,634,439	-	4,634,439
Contract services	2,029,536	-	2,029,536
Gain on disposal of assets	13,092	-	13,092
Investment income, net	11,175	-	11,175
Scholarships	-	-	-
Miscellaneous	-	-	-
Net assets released from restriction	19,244	(19,244)	-
Total public support and revenues	6,778,120	756	6,778,876
Expenses:			
Program services:			
Day services	2,849,413	-	2,849,413
Residential services	2,608,129	-	2,608,129
Total program services	5,457,542	-	5,457,542
Supporting services:			
Management and general	1,314,292	-	1,314,292
Fundraising	7,356	-	7,356
Total supporting services	1,321,648	-	1,321,648
Total program and supporting services	6,779,190	-	6,779,190
Increase/(decrease) in net assets	(1,070)	756	(314)
Net assets- beginning of year	4,362,288	9,370	4,371,658
Net assets - end of year	\$ 4,361,218	\$ 10,126	\$ 4,371,344

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services		
	Day Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel services	\$ 1,945,003	\$ 1,216,153	\$ 3,161,156	\$ 825,300	\$ -	\$ 3,986,456
Payroll taxes	138,943	82,852	221,795	58,640	-	280,435
Fringe benefits	8,516	12,666	21,182	20,666	-	41,848
Total personnel costs	2,092,462	1,311,671	3,404,133	904,606	-	4,308,739
Client wages and related expenses	86,567	-	86,567	-	-	86,567
Insurance	125,584	63,800	189,384	47,322	-	236,706
Telephone and utilities	46,078	14,699	60,777	30,455	-	91,232
Postage and shipping	542	-	542	2,848	-	3,390
Communications	-	5,742	5,742	7,152	-	12,894
Rental	-	33,026	33,026	-	-	33,026
Repairs and maintenance	39,418	7,364	46,782	7,824	-	54,606
Vehicle expense	66,954	788	67,742	5,986	-	73,728
Vehicle insurance	-	-	-	101,890	-	101,890
Supplies	188,768	3,987	192,755	11,151	-	203,906
Travel	47,729	26,169	73,898	4,090	-	77,988
Living expenses	-	1,122,017	1,122,017	-	-	1,122,017
Bad debts	-	-	-	6,993	-	6,993
Miscellaneous	9,452	4,549	14,001	6,619	-	20,620
Memberships	50	-	50	5,639	-	5,689
Professional fees	30,965	775	31,740	123,027	7,356	162,123
Seminars	-	-	-	199	-	199
Food and beverage	2,844	42	2,886	2,530	-	5,416
Expense support	-	2,122	2,122	-	-	2,122
Scholarships	-	-	-	26,289	-	26,289
Total expenses before depreciation	2,737,413	2,596,751	5,334,164	1,294,620	7,356	6,636,140
Depreciation	112,000	11,378	123,378	19,672	-	143,050
Total expenses	\$ 2,849,413	\$ 2,608,129	\$ 5,457,542	\$ 1,314,292	\$ 7,356	\$ 6,779,190

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows From Operating Activities:		
Decrease in net assets	\$	(314)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	143,050	
Gain on disposal of fixed assets	(13,090)	
Realized and unrealized gain on investments	(5,423)	
Changes in:		
Accounts receivable	122,367	
Prepaid expenses	(12,626)	
Assets whose use is limited	(755)	
Accounts payable	68,642	
Accrued expenses	9,592	
		<u>311,757</u>
Net cash provided by operating activities		311,443
Cash Flows From Investing Activities:		
Purchase of property and equipment	(127,716)	
Proceeds from sale of fixed assets	13,092	
Purchase of investments	(650,557)	
Proceeds from sale of investments	7,030	
Net cash used in investing activities		<u>(758,151)</u>
Net decrease in cash		(446,708)
Cash - beginning of year		<u>3,118,732</u>
Cash - end of year	\$	<u><u>2,672,024</u></u>

See accompanying notes to the financial statements.

NEW HORIZONS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 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.

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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, 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, 2019, we had an allowance for doubtful accounts of \$ 15,825.

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, 2019, there were no long-term contributions receivable.

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.

NEW HORIZONS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

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	\$ 2,672,024
Investments	648,949
Accounts receivable, net	<u>1,039,774</u>
	<u>\$ 4,360,747</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 \$657,788. 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.

NEW HORIZONS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - Availability and Liquidity (continued)

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, 2019, accounts receivable consisted of the following:

Community Rehabilitation Agencies of Tennessee	\$ 508,067
Tennessee Department of Finance	463,046
Other	<u>84,486</u>
	1,055,599
Less: Allowance for doubtful accounts	<u>(15,825)</u>
	<u>\$ 1,039,774</u>

NOTE 4 - Investments

Investments valued using readily determinable values consisted of the following at June 30, 2019:

Equities	\$ 60,448
Fixed Income	293,081
Mutual Funds	<u>295,420</u>
	<u>\$ 648,949</u>

NOTE 5 - Accrued Expenses

At June 30, 2019, accrued expenses consisted of the following:

Accrued wages and bonuses	\$ 151,128
Accrued vacation	<u>77,627</u>
	<u>\$ 228,755</u>

NOTE 6 - Net Assets

At June 30, 2019, our Board of Directors has designated the following to be used for future projects:

Maintenance reserve	\$ 232,450
Building maintenance reserve	54,681
Pinnacle reserve	<u>370,357</u>
	<u>\$ 657,788</u>

NEW HORIZONS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - Net Assets (continued)

Also at June 30, 2019, we had assets whose use was restricted by the donors as follows:

Cash held for specific purpose:

Cash for vehicles	\$ 5,856
Cash for exercise equipment	<u>4,270</u>
	<u>\$ 10,126</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, 2019, 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, 2019, was \$33,026.

NOTE 8 - Concentration of Credit Risk

At June 30, 2019, two customers, the State of Tennessee Department of Finance & Administration and Community Rehabilitation Agencies of Tennessee, owed us approximately 92% 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 9 - 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, 2019, we contributed \$42,148 to the Plan.

NOTE 10 - 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, 2019. We have engaged with Acuff & Associates to prepare the previous returns. An extension was filed timely for our 2018 form 5500.

NEW HORIZONS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - New Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*. The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This update should be applied on a modified prospective basis for annual periods beginning after December 15, 2018. We are currently evaluating the impact of adopting this statement.

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 amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 12 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2019. As of October 31, 2019, 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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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	\$ 64,800
Total Program 20.513				64,800
TOTAL FEDERAL AWARDS				\$ 64,800
Note 1 - Basis of Presentation: The accompanying Schedule of Exenditures of Federal Awards summarized the expenditures of New Horizons Corporation, under programs of the federal and state government for the year ended June 30, 2019. This schedule is presented using the accrual basis of accounting.				
Note 2 - The total grant amount of \$64,800 was in noncash items.				

Internal Control and Compliance Section



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, 2019, 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 31, 2019.

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*.

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 Hande & Ballentine

October 31, 2019

NEW HORIZONS CORPORATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Financial Statement Findings:

None noted.

NEW HORIZONS CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Financial Statement Findings:

There were no prior findings reported.