

# 2016

## Financial Statements With Auditor's Letters

**NEW HORIZONS CORPORATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

(With Independent Auditor's Report Thereon)

**NEW HORIZONS CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**New Horizons Corporation**

**Board of Directors**

**June 30, 2016**

Larry Garrett, CPA

President

Ed Holman

Treasurer

Lucy Chism

Co-secretary

Mary Bryson

Co-secretary

Bill Ellis

Honorary Member

Bill Manley

Member

Dean Otto

Member

Mayleen Jones

Member

Erskin Lytle

Member

Nick Passomato

Member

Russ Willis

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, 2016 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, 2016, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, 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 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 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 Handley & Ballentine*

November 21, 2016

NEW HORIZONS CORPORATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016

ASSETS

Current Assets:

Cash	\$ 2,888,163	
Certificates of deposit	426,152	
Accounts receivable, net	1,094,396	
Prepaid expenses	13,778	
Total current assets		\$ 4,422,489

Property and Equipment:

Land improvements	74,171	
Building	1,143,630	
Equipment	643,577	
Construction-in-process	9,033	
Vehicles	535,365	
	2,405,776	
Less: accumulated depreciation	(1,621,927)	
Total property and equipment		783,849

Assets Whose Use Is Limited:

Cash	11,325	
Total assets		\$ 5,217,663

See accompanying notes to the financial statements.



**NEW HORIZONS CORPORATION**  
**STATEMENT OF FINANCIAL POSITION (continued)**  
**JUNE 30, 2016**

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 247,494	
Accrued expenses	182,550	
Total current liabilities		\$ 430,044

Net Assets:

Unrestricted	3,181,840	
Unrestricted - board designated	1,594,454	
Total unrestricted net assets		4,776,294

Temporarily restricted	11,325	
Total restricted net assets		11,325

Total net assets		4,787,619
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Total liabilities and net assets		<u>\$ 5,217,663</u>
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See accompanying notes to the financial statements.



**NEW HORIZONS CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Donations	\$ (914)	\$ 20,000	\$ 19,086
Program service fees	3,697,451	-	3,697,451
Contract services	3,930,771	-	3,930,771
Gain on disposal of assets	8,133	-	8,133
In-kind	-	-	-
Interest income	3,826	-	3,826
Net assets released from restriction	<u>21,497</u>	<u>(21,497)</u>	<u>-</u>
Total public support and revenues	<u>7,660,764</u>	<u>(1,497)</u>	<u>7,659,267</u>
Expenses:			
Program services:			
Adult day services	1,352,073	-	1,352,073
Community based services	1,774,174	-	1,774,174
Supported living	3,116,746	-	3,116,746
Personal assistance	<u>48,350</u>	<u>-</u>	<u>48,350</u>
Total program services	<u>6,291,343</u>	<u>-</u>	<u>6,291,343</u>
Supporting services:			
Management and general	<u>1,554,903</u>	<u>-</u>	<u>1,554,903</u>
Total supporting services	<u>1,554,903</u>	<u>-</u>	<u>1,554,903</u>
Total program and supporting services	<u>7,846,246</u>	<u>-</u>	<u>7,846,246</u>
Decrease in net assets	(185,482)	(1,497)	(186,979)
Net assets - beginning of year	<u>4,961,776</u>	<u>12,822</u>	<u>4,974,598</u>
Net assets - end of year	<u>\$ 4,776,294</u>	<u>\$ 11,325</u>	<u>\$ 4,787,619</u>

See accompanying notes to the financial statements.

**NEW HORIZONS CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services				Supporting Services		
	Adult Day Services	Community Based Services	Supported Living	Personal Assistance	Total Program Services	Management and General	Total Expenses
Personnel services	\$ 904,513	\$ 1,040,515	\$ 1,597,435	\$ 44,992	\$ 3,587,455	\$ 913,845	\$ 4,501,300
Payroll taxes	67,412	77,301	115,095	3,358	263,166	67,605	330,771
Fringe benefits	6,687	3,083	18,345	-	28,115	11,133	39,248
Total personnel costs	978,612	1,120,899	1,730,875	48,350	3,878,736	992,583	4,871,319
Client wages and related expenses	-	258,680	2,633	-	261,313	-	261,313
Insurance	73,942	79,131	115,704	-	268,777	85,514	354,291
Telephone and utilities	13,972	5,379	38,450	-	57,801	48,857	106,658
Postage and shipping	-	-	-	-	-	2,876	2,876
Communications	-	-	9,553	-	9,553	7,588	17,141
Rental	-	-	120,004	-	120,004	-	120,004
Repairs and maintenance	27,667	31,740	23,070	-	82,477	21,180	103,657
Vehicle expense	19,018	31,499	3,157	-	53,674	2,027	55,701
Vehicle insurance	-	-	-	-	-	88,966	88,966
Supplies	22,496	182,253	5,861	-	210,610	29,602	240,212
Travel	117,052	5,418	66,481	-	188,951	2,591	191,542
Living expenses	-	-	990,515	-	990,515	-	990,515
Bad debts	-	-	-	-	-	29,483	29,483
Miscellaneous	-	75	795	-	870	18,750	19,620
Memberships	-	-	-	-	-	5,600	5,600
Professional fees	7,255	239	2,822	-	10,316	187,054	197,370
Food and beverage	3,194	153	1,142	-	4,489	3,221	7,710
Interest	-	-	-	-	-	275	275
Scholarships	-	-	-	-	-	12,421	12,421
Total expenses before depreciation	1,263,208	1,715,466	3,111,062	48,350	6,138,086	1,538,588	7,676,674
Depreciation	88,865	58,708	5,684	-	153,257	16,315	169,572
Total expenses	\$ 1,352,073	\$ 1,774,174	\$ 3,116,746	\$ 48,350	\$ 6,291,343	\$ 1,554,903	\$ 7,846,246

See accompanying notes to the financial statements.

**NEW HORIZONS CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Cash Flows From Operating Activities:		
Increase in net assets		\$ (186,979)
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities:		
Depreciation	169,572	
Interest on certificate of deposit	(839)	
Changes in:		
Accounts receivable	261,307	
Prepaid expenses	151	
Assets whose use is limited	1,498	
Accounts payable	11,226	
Accrued expenses	21,259	
		<u>464,174</u>
Net cash provided by operating activities		277,195
Cash Flows From Investing Activities:		
Purchase of property and equipment	(65,907)	
Proceeds from sale of fixed assets	2,733	
Net cash used in investing activities		<u>(63,174)</u>
Net increase in cash		214,021
Cash - beginning of year		<u>2,674,142</u>
Cash - end of year		<u><u>\$ 2,888,163</u></u>

**SUPPLEMENTAL CASH FLOW INFORMATION:**

Interest paid during the year ended June 30, 2016 was \$325.

**NEW HORIZONS CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 rehabilitation services – Facility based services where persons supported attend the day center and community based services where persons supported go into the community for shopping, entertainment, dining and charitable activities.

Community based services – Services that include staff support for persons supported working in community enclaves and for working on workshop contracts.

Supported living – Services that include companion and staff homes where 24 hour support is provided and family based provider contracts with New Horizons Corporation administers.

Personal assistance – Services that include transportation and assistance for doctor's appointments and community based support for persons who live independently or with family.

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

**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.

**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, 2016, 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 uncollectable accounts receivable. The allowance is based on prior years' experience and our analysis of specific accounts. At June 30, 2016, we had an allowance for doubtful accounts of \$34,808.



**NEW HORIZONS CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

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, 2016, 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.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. At June 30, 2016, we have no uncertain tax positions.

**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.

**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.

**NEW HORIZONS CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - Accounts Receivable**

At June 30, 2016, accounts receivable consisted of the following:

Tennessee Department of Finance	\$ 571,387
Community Rehabilitation Agencies of Tennessee	439,261
Other	118,556
	<u>1,129,204</u>
Less: Allowance for doubtful debts	(34,808)
	<u>\$ 1,094,396</u>

**NOTE 3 – Certificates of Deposit**

At June 30, 2016, we had two certificates of deposit in the amounts of \$200,250 and \$225,902, respectively, with interest rates of .05% and .10%, respectively. These certificates of deposit have maturity dates of May 4, 2017 and November 4, 2017, respectively.

**NOTE 4 - Accrued Expenses**

At June 30, 2016, accrued expenses consisted of the following:

Accrued wages and bonuses	\$ 129,576
Accrued vacation	49,363
	<u>\$ 182,550</u>

**NOTE 5 - Net Assets**

At June 30, 2016, our Board of Directors has designated net assets to be used for future maintenance projects as follows:

Maintenance reserve	\$ 227,964
Pinnacle reserve	940,338
Certificates of deposit	426,152
	<u>\$ 1,594,454</u>

Also at June 30, 2016, we had assets whose use was restricted by the donors as follows:

Exercise equipment	\$ 4,270
Forklift	4,003
Vehicles	3,052
	<u>\$ 11,325</u>

**NEW HORIZONS CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - 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.

We also lease certain property for our clients and are reimbursed for those costs by the clients. Those amounts are accounted for in the Statement of Financial Position. There are no amounts due to us for reimbursement of rent at June 30, 2016, and we expect this status to remain constant in the next fiscal year.

Total rent expense for the year ended June 30, 2016, was \$120,004. All of the \$120,004 was related to client lease obligations we have to pay. Future minimum lease payments are as follows:

For the year ending <u>June 30,</u>	
2017	\$ 30,514
2018	5,982
2019	1,496
2020	1
2021	1
Thereafter	<u>18</u>
	<u>\$ 38,012</u>

**NOTE 7 - Concentration of Credit Risk**

At June 30, 2016, 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.



**NEW HORIZONS CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - 401(k) Plan**

We have a 401(k) 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, 2016, we contributed \$39,248 to the Plan.

**NOTE 9 – Loss Contingency**

The Tennessee Bureau of Investigation has assessed a penalty and fine of \$25,422 in relation to an investigation for the Department of Intellectual and Developmental Disabilities which occurred under former management from August 2007 through September 2008. As of November 21, 2016, the date the financial statements were available to be issued, the loss contingency has been accrued and included under accounts payable. Furthermore, we do not plan to appeal the penalty and fine. The State has not begun to deduct the penalty from our contracted revenue, and it is uncertain when they will begin to do so.

From time to time, we may be and have been named as a defendant in a lawsuit. At June 30, 2016 we have accrued \$4,188 on the statement of financial position for expected legal fees defending our position in a lawsuit.

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, 2016. We have engaged with Acuff & Associates to prepare the previous returns. An extension was filed timely for our 2015 form 5500.

**NOTE 10 - Subsequent Events**

We have evaluated events subsequent to the year ending June 30, 2016. As of November 21, 2016, the date the financial statements were available to be issued. Other than the following matter, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

We were named in a lawsuit by a former employee subsequent to June 30, 2016. The former employee's attorney extended a settlement offer which was approved by our board before the report issue date of November 21, 2016. We will incur \$25,000 of expense related to this case. We have not accrued this expense in the June 30, 2016 financial statements since the event occurred after the balance sheet date but before the issuance of this report.

**SUPPLEMENTARY INFORMATION**

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  
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, 2016, 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 21, 2016.

**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. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses: See 2016-001.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings. See 2016-001.

### **New Horizons Corporation's Response to Findings**

New Horizons Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings. New Horizons Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Handee & Ballentine*

November 21, 2016

**NEW HORIZONS CORPORATION**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of New Horizons Corporation.
2. One material weakness disclosed during the audit of the financial statements was reported in the 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*. See 2016-001.
3. Three instances of noncompliance of New Horizons Corporation were disclosed during the audit. See 2016-001.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

2016-001

Criteria:	The Organization is required to maintain documentation of all services provided and billed for all State contracts.
Condition:	Days billed to the State did not agree to the number of daily notes.
Perspective Information:	Some notes were present for days not billed to the State. Some days were billed to the State for which the notes were not present.
Cause:	The client daily notes are not being properly reconciled before the State is billed.
Effect:	Amounts billed to the State were incorrect because of incomplete or missing daily notes.
Recommendations:	All notes should include the information required by the contracts with the State and should be signed by the staff preparing the daily notes. Proper review and reconciliation procedures should be in place to catch any discrepancies in the client daily notes.
Response:	We have implemented procedures to detect and correct future over and under billings.



**NEW HORIZONS CORPORATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Financial Statement Findings:

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2015-001	The Organization is required to maintain descriptive notes to support the specific service being billed to the State.	Corrected
2015-002	Days billed to the State did not agree to the number of daily notes.	Repeated
2015-003	The State of Tennessee issued a Quality Assurance Survey Report over the Organization's compliance with DIDD requirements.	Corrected