

2022

Financial Statements

NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
FINANCIAL STATEMENTS
JUNE 30, 2022

(With Independent Auditor's Report Thereon)

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
JUNE 30, 2022

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NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
BOARD OF DIRECTORS
JUNE 30, 2022

Russ Willis
President

Mary Bryson
Secretary

Nick Passomato
Treasurer

Rochelle Jason
Vice President

Strebel Dan
Member

Dean Otto
Member

Delana Stevens
Member

Jennifer Bennett
Member

April Harrington
Member

Manley Bill
Member

Jeremy Davidson
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 Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Horizons Corporation d.b.a. New Horizons Life Skills as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying list of Board of Directors and Schedule of Prior Year Findings, as required by the Tennessee Comptroller of the Treasury, as per the *Auditing and Accounting for Local Governmental Units and Other Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2022, 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.

Patterson Handley & Ballentine

November 17, 2022

NEW HORIZONS CORPORATION
d.b.a. NEW HORIZONS LIFE SKILLS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022

ASSETS

Current Assets:

Cash	3,293,536	
Restricted cash	20,193	
Investments	1,030,261	
Accounts receivable, net	1,139,286	
Prepaid expenses	184,930	
Total current assets		\$ 5,668,206

Property and Equipment:

Land improvements	82,321	
Building	1,352,124	
Equipment	590,143	
Vehicles	771,650	
	2,796,238	
Less: accumulated depreciation	(2,337,149)	
Total property and equipment		459,089

Total assets		<u>\$ 6,127,295</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, 2022

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 292,748	
Accrued expenses	273,956	
Current installments of long-term debt	<u>5,709</u>	
Total current liabilities		\$ 572,413

Long-term debt, net of current installments	<u>150,729</u>
Total liabilities	723,142

Net Assets:

Without donor restrictions	5,383,960	
With donor restrictions	<u>20,193</u>	
Total net assets		<u>5,404,153</u>
Total liabilities and net assets		<u>\$ 6,127,295</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Donations and grants	\$ 19,587	\$ 2,000	\$ 21,587
Program service fees	3,848,387	-	3,848,387
Contract services	2,546,783	-	2,546,783
Gain on disposal of assets	10,730	-	10,730
Investment loss, net	(117,515)	-	(117,515)
Net assets released from restriction	92,045	(92,045)	-
	<u>6,400,017</u>	<u>(90,045)</u>	<u>6,309,972</u>
Total public support and revenues			
Expenses:			
Program services:			
Day services	2,601,671	-	2,601,671
Residential services	2,244,880	-	2,244,880
	<u>4,846,551</u>	<u>-</u>	<u>4,846,551</u>
Total program services			
Supporting services:			
Management and general	1,357,366	-	1,357,366
Fundraising	21,084	-	21,084
	<u>1,378,450</u>	<u>-</u>	<u>1,378,450</u>
Total supporting services			
Total program and supporting services	<u>6,225,001</u>	<u>-</u>	<u>6,225,001</u>
Increase in net assets	175,016	(90,045)	84,971
Net assets - beginning of year	<u>5,208,944</u>	<u>110,238</u>	<u>5,319,182</u>
Net assets - end of year	<u><u>\$ 5,383,960</u></u>	<u><u>\$ 20,193</u></u>	<u><u>\$ 5,404,153</u></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, 2022

	Program Services			Supporting Services		
	Day Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel services	\$ 1,862,787	\$ 912,149	\$ 2,774,936	\$ 817,023	\$ -	\$ 3,591,959
Payroll taxes	131,419	67,344	198,763	53,188	-	251,951
Fringe benefits	14,405	17,070	31,475	18,811	-	50,286
Total personnel costs	2,008,611	996,563	3,005,174	889,022	-	3,894,196
Client wages and related expenses	21,984	-	21,984	-	-	21,984
Insurance	86,632	58,700	145,332	165,413	-	310,745
Telephone and utilities	18,658	17,709	36,367	39,609	-	75,976
Postage and shipping	-	-	-	3,300	430	3,730
Printing	-	-	-	-	2,818	2,818
Communications	-	7,274	7,274	11,425	-	18,699
Rental	-	23,155	23,155	-	-	23,155
Repairs and maintenance	48,167	19,515	67,682	7,391	-	75,073
Vehicle expense	74,737	3,061	77,798	2,243	-	80,041
Supplies	183,213	7,183	190,396	20,115	4,531	215,042
Travel	23,137	13,954	37,091	664	96	37,851
Living expenses	-	1,069,414	1,069,414	-	-	1,069,414
Bad debts	-	-	-	63,767	-	63,767
Interest	-	-	-	8,078	-	8,078
Miscellaneous	7,207	5,720	12,927	5,782	-	18,709
Memberships	50	-	50	5,480	198	5,728
Professional fees	6,114	2,635	8,749	111,600	11,298	131,647
Training and Recruiting	797	1,352	2,149	3,351	18	5,518
Food and beverage	3,584	261	3,845	6,161	1,695	11,701
Expense support	-	9,787	9,787	-	-	9,787
Total expenses before depreciation	2,482,891	2,236,283	4,719,174	1,343,401	21,084	6,083,659
Depreciation	118,780	8,597	127,377	13,965	-	141,342
Total expenses	\$ 2,601,671	\$ 2,244,880	\$ 4,846,551	\$ 1,357,366	\$ 21,084	\$ 6,225,001

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, 2022

Cash Flows From Operating Activities:		
Increase in net assets		\$ 84,971
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities:		
Depreciation	141,342	
Gain on disposal of fixed assets	(10,730)	
Realized and unrealized loss on investments	130,366	
Changes in:		
Accounts receivable, net	(124,838)	
Prepaid expenses	(142,149)	
Accounts payable	67,097	
Accrued expenses	7,472	
		<u>68,560</u>
Net cash provided by operating activities		153,531
Cash Flows From Investing Activities:		
Purchase of property and equipment	(45,468)	
Proceeds from disposal of fixed assets	21,546	
Purchase of investments	(106,992)	
Sale of investments	106,454	
Net cash used in investing activities		<u>(24,460)</u>
Cash Flows from Financing Activities:		
Issuance of debt		
Payments on long-term debt	(5,309)	
Net cash used in financing activities		<u>(5,309)</u>
Net increase in cash		123,762
Cash and restricted cash - beginning of year		<u>3,189,967</u>
Cash and restricted cash - end of year		<u>\$ 3,313,729</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, 2022

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, 2022.

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

Residential Services:

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

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

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

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

Basis of Presentation

The accompanying financial statements have been prepared 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, 2022

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, 2022, there were no cash equivalents.

Accounts and Contributions Receivable

Accounts receivable are recorded in accordance with generally accepted accounting principles, and we use the allowance method to determine uncollectible accounts. The allowance is based on prior years' experience and our analysis of specific accounts. At June 30, 2022, we had an allowance for doubtful accounts of \$94,659.

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, 2022, 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, 2022:

	Level 1	Level 2	Level 3	Total
Market Linked Certificate of Deposits	\$ -	\$ 603,349	\$ -	\$ 603,349
Money Market Funds and Equities	426,912	-	-	426,912
	<u>\$ 426,912</u>	<u>\$ 603,349</u>	<u>\$ -</u>	<u>\$ 1,030,261</u>

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 investments:

- We obtained a summary investment statement from Wells Fargo Advisors with the value of the investments as of June 30, 2022. 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 represent 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, 2022.

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, 2022

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, 2022. Further, at June 30, 2022, 100% of our accounts receivable were revenue from contracts with customers.

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	\$ 3,293,536
Investments	1,030,261
Accounts receivable, net	<u>1,139,286</u>
	<u>\$ 5,463,083</u>

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

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.

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 - Accounts Receivable

At June 30, 2022 accounts receivable consisted of the following:

Community Rehabilitation Agencies of Tennessee	\$ 541,534
Tennessee Department of Finance	559,682
Other	132,729
Less: Allowance for doubtful accounts	<u>(94,659)</u>
Accounts receivable, net	<u>\$ 1,139,286</u>

NOTE 4 – Property and Equipment

Property and equipment consisted of the following at June 30, 2022:

Land improvements	\$ 82,321
Buildings	1,352,124
Equipment	590,143
Vehicles	<u>771,650</u>
	2,796,238
Less accumulated depreciation	<u>(2,337,149)</u>
Property and Equipment, net	<u>\$ 459,089</u>

Depreciation expense for the year ended June 30, 2022 was \$141,342.

NOTE 5 – Investments

Investments valued using readily determinable values consisted of the following at June 30, 2022:

Stocks & ETFs	\$ 146,957
Fixed Income	603,349
Mutual Funds	<u>279,955</u>
	<u>\$ 1,030,261</u>

NOTE 6 - Accrued Expenses

At June 30, 2022, accrued expenses consisted of the following:

Accrued wages and bonuses	\$ 187,168
Accrued vacation	86,354
Other	<u>434</u>
	<u>\$ 273,956</u>

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - Long-term Debt

Long-term debt at June 30, 2022 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.	\$ 156,438
Less: current maturities	<u>(5,709)</u>
	<u>\$ 150,729</u>

The following is a list of future maturities:

<u>Year Ended June 30, 2022</u>	
2023	\$ 5,709
2024	6,002
2025	6,308
2026	6,631
2027	6,970
Thereafter	<u>124,818</u>
	<u>\$ 156,438</u>

NOTE 8 - Net Assets

At June 30, 2022 our Board of Directors has designated the following to be used for future projects:

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

Also at June 30, 2022 we had assets whose use was restricted by the donors as follows:

Cash for exercise equipment	\$: 4,270
Cash for scholarships	15,706
Cash for client technology	108
Cash for living expense support	<u>109</u>
	<u>\$ 20,193</u>

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 - Lease Agreements

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

We lease a copier and other equipment under lease arrangements classified as operating leases. The copier lease is payable in monthly payments of \$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, 2022, 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, 2022, was \$23,155.

NOTE 11 - Concentration of Credit Risk

At June 30, 2022, two customers, the State of Tennessee Department of Finance & Administration and Community Rehabilitation Agencies of Tennessee, owed us approximately 89% 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 12 - 401(k) Plan

We have a 401(k) plan (the "plan") for the benefit of our employees, which is administered by Empower (formerly Great West) as the record-keeper. Under the Plan, employees may contribute a percentage of their annual base compensation, which we match up to 3% of compensation. An employee must have been employed for a minimum of six months and have attained the age of 20 and one-half years on or before the anniversary date of the plan to participate in the program. Employee benefits are fully vested after they have participated in the program for six years on the anniversary date of the Plan. Vesting begins after the employee has participated in the program for a minimum of two years as of the anniversary date of the Plan. As of January 1, 2022, the plan was changed to safe harbor 401(k) plan and safe harbor matching contribution. During the year ended June 30, 2022 we contributed \$50,286 to the Plan.

NOTE 13 - Contingencies

We did not receive annual audits or file Form 5500 in accordance with DOL regulations for large filer Plans for several years until April 7, 2021, when prior year audits and Form 5500s were properly filed. Due to this, we are subject to extensive penalties and interest that are not determinable at November 17, 2022, and have therefore not been recorded at year end as a liability on our financial statements. We have completed filings for all years and engaged a reputable third party record keeper to assist in the filing of all delinquent audits and returns through the Voluntary Compliance Program in 2021, however no status update was available as of November 17, 2022.

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - 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, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 15 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2022. As of November 17, 2022, 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.

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, 2022, 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 17, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Horizons Corporation 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Horizons Corporation 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Patterson Handley & Bellentine

November 17, 2022

NEW HORIZONS CORPORATION
d.b.a NEW HORIZONS LIFE SKILLS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Financial Statement Findings:

There were no prior findings reported.