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**NEW HORIZONS, INC.**  
**SHREVEPORT, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-3-06

NEW HORIZONS. INC.  
SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

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March 24, 2006

To the Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

Independent Auditor's Report

I have audited the accompanying statement of financial position of New Horizons, Inc. (a nonprofit organization) as of September 30, 2005, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons, Inc. as of September 30, 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 24, 2006 on my consideration of New Horizons, Inc.'s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

  
William E. Hughes, Jr. CPA

**NEW HORIZONS, INC.**

**STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2005**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 74,553
Accounts Receivable	5,670
Contract and Grant Receivables	304,216
Prepaid Exp.	19,123
Total Current Assets	<u>\$ 403,562</u>

Property and Equipment:

Property and Equipment	20,153
Accumulated Depreciation	(14,323)
Net Property and Equipment	<u>5,830</u>

Total Assets	<u>\$ 409,392</u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts Payable - Trade	\$ 26,417
Accounts Payable - State Dept. of Health and Hospitals	\$ 36,587
Accrued Expenses - Payroll	129,095
Accrued Expenses - Compensated Absences	10,206
Total Current Liabilities	<u>202,305</u>

Net Assets:

Unrestricted:

Operating	<u>207,087</u>
Total Net Assets	<u>207,087</u>

Total Liabilities and Net Assets	<u>\$ 409,392</u>
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The accompanying notes are an integral part of the financial statements.

**NEW HORIZONS, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Unrestricted</u>
<u>Revenues and Other Support:</u>	
Federal and State grants	\$ 717,677
Medicaid programs	2,418,935
Other program income	<u>20,657</u>
Total Revenues and Other Support	3,157,269
<u>Expenses:</u>	
Program Expenses	3,066,317
Supporting services:	
Management and general	<u>2,729</u>
Total Expenses	<u>3,069,046</u>
<u>Change in Net Assets</u>	88,223
<u>Net Assets - Beginning of Year</u>	<u>187,990</u>
<u>Prior Period Adjustment</u>	(69,126)
<u>Net Assets - End of Year</u>	<u>\$ 207,087</u>

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Cash Flows from Operating Activities:

Increase in Net Assets	\$ 88,223
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,622
(Increase) decrease in operating assets:	
Accounts receivables	(5,670)
Grant receivables	(43,024)
Prepaid Expenses	(9,190)
Deposits	4,848
Increase (decrease) in operating liabilities	
Accounts payable - Trade	10,386
Accounts payable - Bank Overdraft	(22,342)
Accounts Payable - State Dept. of Health and Hospitals	36,587
Accrued Expenses - Payroll	86,223
Accrued Expenses - Compensated Absences	(4,011)
Net Cash provided (used) by operating activities	<u>143,652</u>

Cash Flows from Investing Activities:

Purchase of property and equipment	<u>(699)</u>
Net cash provided (used) by investing activities	<u>(699)</u>

Cash Flows from Financing Activities

-

Cash Flows from Other Activities:

Prior Period Adjustment	<u>(69,126)</u>
Net cash provided (used) by other activities	<u>(69,126)</u>

Net increase (decrease) in cash 73,827

Cash at Beginning of Year 726

Cash at End of Year \$ 74,553

Required Supplementary Information:

Interest Paid During the Year \$ -

The accompanying notes are an integral part of the financial statements.

**NEW HORIZONS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

<b>Expenses</b>	<b><u>Program Services</u></b>	<b><u>Supporting Services, Management &amp; General</u></b>	<b><u>Total</u></b>
Salaries and Wages	\$ 2,352,334	\$ -	\$ 2,352,334
Payroll Taxes	201,792	-	201,792
Employee Benefits	54,468	-	54,468
Bank Charges	255	-	255
Insurance	129,618	-	129,618
Equipment purchases - Consumer	5,522	-	5,522
Supplies - Consumer	90,843	-	90,843
Supplies - Office	18,251	-	18,251
Training	2,852	-	2,852
Travel	32,516	-	32,516
Dues and Subscriptions	4,289	-	4,289
Contracted Services	48,878	-	48,878
Interest	-	-	-
Legal Fees	2,714	-	2,714
Rent	73,956	-	73,956
Postage	10,566	-	10,566
Repairs and Maintenance	5,838	-	5,838
Public Awareness	10,208	-	10,208
Telephone	17,131	-	17,131
Utilities	4,286	-	4,286
Miscellaneous	-	1,107	1,107
Depreciation	-	1,622	1,622
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<b><u>\$ 3,066,317</u></b>	<b><u>\$ 2,729</u></b>	<b><u>\$ 3,069,046</u></b>

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

I. Summary of Significant Accounting Policies

A. Nature of Activities

New Horizons, Inc. (New Horizons), is a nonprofit corporation under the laws of the State of Louisiana. New Horizons was established to provide an opportunity for severely handicapped persons to participate in a broad activities program, including community activities, recreation, and other services, to make possible a broader life enrichment program for handicapped persons. The following programs are administered by New Horizons, shown with their approximate percentages of total revenue:

Medicaid — 76 %  
Traumatic head and spinal cord injury — 5%  
Title VII Part C — 8%  
Rural Independent Living — 3%  
LRS — Personal Care Assistance — 1%  
Personal Care Assistance Program — 3%  
Title VII Part B — 1%  
Durable Medical Equipment — 3%

B. Basis of Accounting

The financial statements of New Horizons have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. New Horizons had only unrestricted net assets at September 30, 2005.

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

1. Summary of Significant Accounting Policies (Continued)

D. Income Tax Status

New Horizons is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Services as an organization other than a private foundation. New Horizons, therefore, is not subject to income taxes. However, income from certain activities not directly related to New Horizon's tax-exempt purpose is subject to taxation as unrelated business income. New Horizons had no such income for the years ended September 30, 2005.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

New Horizons cash, as stated for cash flow purposes, consists of interest-bearing and non-interest bearing bank accounts. New Horizons has no other assets that are considered cash equivalents.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The State of Louisiana and the federal government have a reversionary interest in property purchased with state and federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to state and federal regulations. All expenditures in excess of \$250 for property and equipment are capitalized.

H. Revenue and Support

Contributions received may be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

1. Summary of Significant Accounting Policies (Continued)

Federal and State contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Retirement Obligations

The employees of New Horizons are members of the Social Security System. There are no other retirement plans available through New Horizons.

J. Compensated Absences

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
One year	One week
Over one year	Two weeks

Generally, up to four weeks of unused annual leave may be carried over to succeeding fiscal years.

Sick leave is earned at the rate of one day per calendar month of employment, and accumulates up to twelve days. Employees are not compensated for unused sick leave at termination.

2. Concentrations of Credit Risk

Financial instruments that potentially subject New Horizons to concentrations of credit risk consist principally of temporary cash investments and grant receivables. Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

governmental agencies under contractual terms. As of September 30, 2005, New Horizons had no significant concentrations of credit risk in relation to grant receivables. New Horizons maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 2005, there were no uninsured balances at this institution.

3. Contract and Grant Receivable

Various funding sources provide reimbursement of allowable costs and payment on units of service in connection with providing services under contracts or grant agreements. This balance represents amounts due from funding sources at September 30, 2005, but received after those dates. The following list indicates those funds due by funding source:

Medicaid	\$ 150,425
Title VII Part C	17,951
Rural Independent Living	24,384
Personal Care Assistance Program	26,597
Title VII Part B	4,319
Durable Medical Equipment	<u>80,540</u>
Total Contract and Grant Receivable	\$ 304,216

4. Property and Equipment

Property and equipment consisted of the following at September 30, 2005:

	Estimated Depreciable <u>Life</u>	
Furniture and equipment	5 - 7 years	\$20,153
Accumulated depreciation		<u>(14,323)</u>
Net investment in property and equipment		\$ 5,830

Depreciation expense for the year ended September 30, 2005 was \$1,622.

5. Federal, State and Medicaid Contractual Revenue

During the years ended September 30, 2005, New Horizons received \$3,136,613 in revenue from federal, state and Medicaid contracts and grants. The continued existence of these funds is based on annual contract renewals with various funding sources. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries;

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

adjustments in future periods may be necessary as final grant settlements are determined.

6. Leases

New Horizons leases space and equipment under several operating leases. Rental costs on those leases for the years ended September 30, 2005 was \$73,956. Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year as of September 30, 2005 are as follows:

September 30, 2006	61,060
September 30, 2007	45,911
Thereafter	<u>0</u>
Total	\$106,971

7. Line of Credit

The Organization maintains a credit line for up to \$10,000. There was no outstanding balance on this line of credit at September 30, 2005.

8. Economic Dependency

New Horizons receives the majority of its revenue from funds provided by state and federal grants as well as through a contract for patient care services provided to Medicaid eligible individuals. If significant budget cuts are made at the federal and/or state level or the Medicaid contract is not renewed, the amount of funds New Horizons receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

9. Prior Period Adjustment

The Louisiana Workman's Compensation Commission audited New Horizons payroll records and noted a deficiency in their premiums. The final assessment for the period October 1, 2004, through October 1, 2005 was \$32, 540. A review by the Louisiana Department of Health and Hospitals (DHH) and their fiscal agent Unisys-Louisiana Medicaid determined that New Horizons was overpaid for the claims submitted to Medicaid in 2002 and 2003. The amount to be recaptured by DHH is \$36,586. The combination of the worker's compensation assessment and the overpaid Medicaid claims resulted in fiscal year-ending September 30, 2004, unrestricted net assets to be overstated and liabilities to be understated by the same amount. A prior year adjustment of \$69,126 was recorded.

OTHER REPORTS

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March 24, 2006

To the Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

I have audited the financial statements of New Horizons, Inc. as of and for the year ended September 30, 2005, and have issued my report thereon dated March 24, 2006. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of New Horizons, Inc. are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered New Horizons, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect New Horizon's ability to

record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 2004-01 to be a material weakness.

This report is intended solely for the information and use of the board of directors, management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

  
William E. Hughes, Jr., CPA

NEW HORIZONS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of New Horizons, Inc.
2. One reportable condition relating to the audit of the financial statements is reported.
3. No instances of noncompliance material to the financial statements of New Horizons, Inc., were disclosed during the audit.
4. New Horizons, Inc. was not subject to a Single Audit under the provisions of OMB Circular A-133 for the year ended September 30, 2005.

B. INTERNAL CONTROL FINDINGS - FINANCIAL STATEMENT AUDIT

**2004-01 – Accounts Receivable Procedures**

*Statement of Condition:* During my testing of the agency's revenue and accounts receivable billings, I noted that amounts invoiced by New Horizons, Inc., were subsequently not collected from its various funding sources.

*Criteria:* Internal controls should be in place to provide for reconciling amounts billed with amounts received on a timely basis to ensure the agency is receiving the appropriate amounts.

*Cause:* New Horizons, Inc., did not have written procedures in place to ensure timely collection of amounts billed to its funding sources.

*Effect of Condition:* Because of the lack of a reconciliation of amounts billed to the amounts received, the revenues and receivables on the agency's financial statements were not correctly stated during the year.

*Recommendation:* I recommend that the agency implement adequate controls to provide for a monthly reconciliation of all amounts billed and subsequently received to ensure the agency is receiving the appropriate revenues from its funding sources.

*Response:* Our CPA consultant has assisted us to develop procedures to ensure all amounts billed to each funding source are timely received and corresponding management oversight has also been developed to ensure that this procedure is being followed. Management will also consider purchasing new billing software to assist in proper claims' billing.

NEW HORIZONS, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

The prior year findings and questioned costs for the audit period ended September 30, 2004, are addressed below:

2004-01: Internal Control Finding – Billing procedures for denied claims need improvement to ensure all accounts receivable are collected.

Conclusion: Unresolved

NEW HORIZONS, INC.

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2005

1. Accounts Receivable Procedures

Management has implemented procedures to ensure that all revenue billed to its funding sources is received and, if necessary, any follow-up billings occur in a timely manner.