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**New Horizons, Inc.  
Shreveport, Louisiana**

**Financial Statements**

**As of and For the Year Ended September 30, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 ~~OCT 06 1999~~

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# COOK & MOREHART

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## Independent Auditors' Report

To the Board of Directors  
New Horizons, Inc.

We have audited the accompanying statement of financial position of New Horizons, Inc. (a nonprofit organization) as of September 30, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons, Inc. at September 30, 1998, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 1999 on our consideration of New Horizons, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Cook & Morehart  
Certified Public Accountants  
August 18, 1999

New Horizons, Inc.  
Statement of Financial Position  
September 30, 1998

Assets

Current assets:	
Cash	\$ 14,092
Grant receivables	155,111
Other receivables	1,300
Other assets	2,983
Total current assets	<u>173,486</u>
Property and equipment:	
Property and equipment	230,923
Accumulated depreciation	(77,111)
Net property and equipment	<u>153,812</u>
Total Assets	<u><u>\$ 327,298</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 6,811
Accrued expenses	30,153
Total current liabilities	<u>36,964</u>
Net assets:	
Unrestricted:	
Operating	136,522
Fixed assets	153,812
Total net assets	<u>290,334</u>
Total Liabilities and Net Assets	<u><u>\$ 327,298</u></u>

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

New Horizons, Inc.  
Statement of Activities  
For the Year Ended September 30, 1998

Revenues and Other Support:

Contractual revenue - grants	\$ 922,107
Medicaid contract	556,009
Miscellaneous revenues	19,419
	<hr/>
Total revenues and other support	1,497,535
	<hr/>

Expenses:

Medicaid	484,113
Traumatic head and spinal cord injury	476,957
Title VII Part C	135,960
Rural Independent Living	99,565
LRS - Personal Care Assistance	58,772
Deaf Action Center	81,980
Personal Care Assistance Program	35,076
Title VII Part B	33,895
Americans with Disabilities Act	9,554
Office for Citizens with Developmental Disabilities	1,145
General administration	42,806
	<hr/>
Total expenses	1,459,823
	<hr/>

Changes in net assets	37,712
Net assets, beginning of year	252,622
	<hr/>
Net assets, end of year	<u>\$ 290,334</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, 1998

Operating Activities

Change in net assets	\$ 37,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	12,803
(Increase) decrease in operating assets:	
Grant receivables	(10,509)
Other assets	6,798
Increase (decrease) in operating liabilities:	
Accounts payable	5,112
Accrued liabilities	(1,639)
Net cash provided by operating activities	50,277

Investing Activities

Payments for property and equipment	(10,555)
Net cash used in investing activities	(10,555)

Financing Activities

Payments on line of credit	(41,269)
Payments on capital lease	(2,824)
Net cash used in financing activities	(44,093)

Net increase in cash (4,371)

Cash as of beginning of year 18,463

Cash as of end of year \$ 14,092

Interest paid during the year ended September 30, 1998 was \$2,133.

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

New Horizons, Inc.  
Notes to Financial Statements  
September 30, 1998

(1) 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 – 37%  
Traumatic head and spinal cord injury – 36%  
Title VII Part C – 7%  
Rural Independent Living – 5%  
LRS – Personal Care Assistance – 6%  
Deaf Action Center – 3%  
Personal Care Assistance Program – 2%  
Title VII Part B – 2%  
Americans with Disabilities Act – 1%  
Office for Citizens with Development Disabilities – .1%  
General Administration – 1%

B. Basis of Accounting

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

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.

(Continued)

New Horizons, Inc.  
Notes to Financial Statements  
September 30, 1998  
(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 Service 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 Horizons's tax-exempt purpose is subject to taxation as unrelated business income. New Horizons had no such income for this audit period.

**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's 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.

**H. Revenue and Support**

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

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.

(Continued)

New Horizons, Inc.  
Notes to Financial Statements  
September 30, 1998  
(Continued)

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. Expense Allocation

The costs of providing various programs and other activities 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.

(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 governmental agencies under contractual terms. As of September 30, 1998, New Horizons had no significant concentrations of credit risk in relation to grant receivables. New Horizons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 1998 there were no uninsured balances at these institutions. As of September 30, 1998, New Horizons had no significant concentrations of credit risk.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs and payment on units of service in connection with providing services under contracts or agreements. This balance represents amounts due from funding sources at September 30, 1998, but received after those dates.

(4) Property and Equipment

Property and equipment consisted of the following at September 30, 1998:

	Estimated Depreciable Life	
Furniture and equipment	5-7 years	\$ 78,981
Vehicles	5 years	24,442
Buildings	20-30 years	127,500
Accumulated depreciation		<u>( 77,111)</u>
Net investment in property and equipment		<u>\$ 153,812</u>

Depreciation expense for the year ended September 30, 1998 was \$12,803.

(Continued)

New Horizons, Inc.  
Notes to Financial Statements  
September 30, 1998  
(Continued)

(5) Contractual Revenue – Grants

During the year ended September 30, 1998, New Horizons received contractual revenue from federal and state grants in the amount of \$1,478,116. The continued existence of these funds is based on annual contract renewals with various funding sources.

(6) Leases

New Horizons leases space and equipment under several operating leases. Rental costs on those leases for the year ended September 30, 1998 were \$23,100. Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year as of September 30, 1998 are as follows:

<u>Year Ended Sept. 30</u>	<u>Amount</u>
1999	\$ 12,001
2000	<u>8,500</u>
	<u>\$ 20,501</u>

(7) Accrued Liabilities

Accrued liabilities at September 30, 1998 consisted of the following:

Accrued payroll	\$ 26,230
Payroll taxes payable	<u>3,923</u>
	<u>\$ 30,153</u>

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

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

We have audited the financial statements of the New Horizons, Inc. as of and for the year ended September 30, 1998, and have issued our report thereon dated August 18, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 New Horizons, Inc.'s financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate management letter dated August 18, 1999.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered New Horizons, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving internal control over financial reporting that we have reported to management in a separate management letter dated August 18, 1999.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart  
Certified Public Accountants  
August 18, 1999

New Horizons, Inc.  
Shreveport, Louisiana  
Summary Schedule of Prior Audit Findings for Louisiana Legislative Auditor  
September 30, 1998

There was one material weakness noted in the prior audit for the year ended September 30, 1997:

*Condition:* A detailed accounts receivable subsidiary was not being maintained for costs billed under the Organization's various grants with state and federal agencies.

*Recommendation:* The auditor recommended that the agency maintain subsidiary ledgers for costs billed to the Organization's grantor agencies.

*Current Status:* The Agency is currently using the Accounts Receivable module of their accounting software package. However, they are not currently reconciling the subsidiary listing to the Accounts Receivable on the general ledger. See related management letter comment in the current year audit for the year ended September 30, 1998.

The prior year management letter comments are addressed below for the year ended September 30, 1997:

Comment #1: Employee time sheets

Additional oversight was provided in this area.

Comment #2: Employee's gross pay calculations

The agency has provided additional training to payroll manager and additional oversight to address this comment.

Comment #3: Cash disbursements

Agency no longer writes any checks payable to "cash."

Comment #4: State unemployment taxes

Agency has new accountant who ensures that payroll taxes are computed properly. Previous quarters which were incorrect have been corrected.

Comment #5: Fixed asset inventory

See related management letter comment in current year audit for the year ended September 30, 1998.

Comment #6: Fixed asset purchases

Agency now records all fixed asset purchases in the fixed asset accounts on the general ledger.

New Horizons, Inc.  
Shreveport, Louisiana  
Summary Schedule of Current Year Audit Findings for Louisiana Legislative Auditor  
September 30, 1998

There were no findings or questioned costs for the current audit period ended September 30, 1998.

The corrective action plan for the management letter comments for the year ended September 30, 1998 are addressed below:

Comment #1:    Signature Stamps

Adequate control is now maintained on the signature stamps. As of October 1, 1998, no signature stamps are kept on the premises of New Horizons. Those who stamp checks retain control of their stamps and bring them when necessary for the purpose of signing checks.

Comment #2:    Reconciliation of Bank Accounts

All bank accounts are now reconciled on a monthly basis to the general ledger as of October 1, 1998.

Comment #3:    Accounts Receivable Subsidiary Listing

Accounts receivable is in the process of being cleaned up and reconciled properly.

Comment #4:    Payroll Liability Accounts

Payroll liabilities will be analyzed and corrected each month.

Comment #5:    Travel Expense Documentation

All travel expenses as of October 1, 1998 are supported with adequate documentation prior to the issuing of checks for reimbursement.

Comment #6:    Late Issuance of Audit Report

The auditing firm originally contracted to complete the New Horizons audit report for 1997-98 defaulted on the terms of agreement and another firm was contracted, with the approval of the State Legislative Auditor's Office.

New Horizons understands the importance of having an audit report within six months of the year end and has already engaged and planned the next audit for the year ended September 30, 1999.

Comment #7:    Fixed Asset Inventory

The fixed asset inventory listing will be reconciled with the general ledger each year.

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## Management Letter

August 18, 1999

Board of Directors  
New Horizons, Inc.  
Bossier City, Louisiana

We have audited the financial statements of New Horizons, Inc. (New Horizons), for the year ended September 30, 1998, and have issued our report thereon dated August 18, 1999. In planning and performing our audit of the financial statements of New Horizons, Inc., we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit certain matters were noted involving internal controls over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control or operations of New Horizons. These comments have been discussed with the appropriate members of management.

### (1) SIGNATURE STAMPS

During the year under audit, New Horizons utilized signature stamps for authorized signatures on checks issued. Adequate control was not maintained on the signature stamps which allowed access to the stamps by employees who prepared the checks.

We recommend that New Horizons adequately safeguard the signature stamps by those stamps being controlled only by the person whose signature is on the stamp.

### (2) RECONCILIATION OF BANK ACCOUNTS

During our audit we noted that New Horizons was not reconciling all bank accounts on a monthly basis to the general ledger. The general operating account was being reconciled but the other accounts were not consistently reconciled to the general ledger.

We recommend all bank accounts be reconciled to the general ledger on a monthly basis.

### **(3) ACCOUNTS RECEIVABLE SUBSIDIARY LISTING**

New Horizons began maintaining a detail accounts receivable subsidiary listing for all costs billed for various programs. The subsidiary listing was maintained within New Horizons computerized accounting system, but was not reconciled to the general ledger.

We recommend that New Horizons reconcile the accounts receivable listing to the general ledger on a monthly basis.

### **(4) PAYROLL LIABILITY ACCOUNTS**

During our audit we noticed that the payroll liabilities on the general ledger were not being analyzed and corrected on a timely basis. An audit adjustment had to be made to correct the balances in the payroll liability accounts.

We recommend that New Horizons analyze and review the payroll liability accounts on a monthly basis.

### **(5) TRAVEL EXPENSE DOCUMENTATION**

During our audit we tested certain travel expenses. We noted that three (3) disbursements for travel expenses totaling \$634.14 did not have adequate supporting documentation.

We recommend that all travel disbursements have adequate supporting documentation.

### **(6) LATE ISSUANCE OF AUDIT REPORT**

State law requires New Horizons to issue their audit reports within six months of their year end. New Horizons did not issue this audit for the year ended September 30, 1998 within the statutory issue date.

New Horizons understands the requirement and has already engaged and planned the next audit for the year ended September 30, 1999.

### **(7) FIXED ASSET INVENTORY**

During our audit we noted that the fixed asset inventory is not being reconciled to the general ledger.

We recommend that New Horizons reconcile the fixed asset inventory listing with the general ledger on an annual basis.

We express sincere thanks to New Horizons personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned item. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be used for any other purpose.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart  
Certified Public Accountants