

**NEW HORIZONS RESOURCES, INC.
FINANCIAL REPORT
DECEMBER 31, 2022**



**BUSINESS
ADVISORS
AND CPAS**

NEW HORIZONS RESOURCES, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-24
SUPPLEMENTARY INFORMATION	
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES	25



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Horizons Resources, Inc.

Opinion

We have audited the accompanying financial statements of New Horizons Resources, Inc. (the Agency), (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 referred to above present fairly, in all material respects, the financial position of New Horizons Resources, Inc., as of December 31, 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 (GAAS). 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 Resources, Inc. 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 opinion.

Report on Summarized Comparative Information and Correction of an Error

The financial statements of the Agency for the year ended December 31, 2021, before the restatement and prior period adjustment described in Note 19, were audited by Marvin and Company, P.C., who merged with Mengel, Metzger, Barr & Co. LLP as of January 1, 2023, and whose report dated April 28, 2022, expressed an unmodified opinion on those financial statements. As part of our audit of the December 31, 2022 financial statements, we also audited the adjustments described in Note 19 that were applied to restate the 2021 financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, other than related to the adjustments described in Note 19 which are appropriate and have been properly applied, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management 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.

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 Resources, Inc.'s 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 GAAS 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 GAAS, 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 Resources, Inc.'s 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 Resources, Inc.'s 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2022 financial statements as a whole. The 2022 schedule of support and revenue related to functional expenses on page 25 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 2022 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 financial statements or to the 2022 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 2022 financial statements as a whole. The 2021 summarized comparative schedule of support and revenue related to functional expenses on page 25 was subjected to the auditing procedures applied in the 2021 audit of the basic financial statements by Marvin and Company, P.C., who merged with Mengel, Metzger, Barr & Co., LLP as of January 1, 2023, and whose report on such information stated that it was fairly stated in all material respects in relation to the 2021 financial statements as a whole.

Mengel, Metzger, Barr & Co. LLP

Latham, NY
April 20, 2023

NEW HORIZONS RESOURCES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>(Restated)</u> <u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 7,554,527	\$ 7,494,322
Restricted	50,000	50,000
Receivables - net		
Program	3,492,609	2,299,620
Other	45,957	47,063
Prepaid expenses	210,745	204,034
Total Current Assets	11,353,838	10,095,039
Non Current Assets		
Investment in HVSP	50,667	50,667
Plant, property and equipment - net	15,054,622	14,188,382
Right of use assets - Operating leases	215,838	264,212
Funded reserves	9,626	9,626
Cash and Investments - Debt service fund	24,247	67,614
Beneficial interest in assets held by others	53,486	60,921
Deposits	36,507	35,397
Residents' funds	280,919	282,383
Total Non Current Assets	15,725,912	14,959,202
TOTAL ASSETS	\$ 27,079,750	\$ 25,054,241
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 630,924	\$ 591,809
Accrued expenses	2,029,432	1,585,174
Current installments of long-term debt	735,075	934,280
Due to NYS OPWDD	46,447	161,028
Lease liability - current portion	33,787	51,571
Deferred revenue	501,588	88,463
Total Current Liabilities	3,977,253	3,412,325
Other Liabilities		
Long-term debt - net of current installments	4,539,186	4,495,705
Lease liability - long-term	188,922	218,304
Accrued funding adjustments	320,000	320,000
Residents' funds	282,804	282,784
Total Other Liabilities	5,330,912	5,316,793
Total Liabilities	9,308,165	8,729,118
Net Assets		
Without donor restrictions	17,634,997	16,190,459
With donor restrictions	136,588	134,664
Total Net Assets	17,771,585	16,325,123
TOTAL LIABILITIES AND NET ASSETS	\$ 27,079,750	\$ 25,054,241

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	(Restated) <u>2021</u>
Net Assets Without Donor Restrictions		
Support and Revenue		
Program	\$ 31,132,645	\$ 29,789,397
Nonprogram	6,879,529	481,954
Release of net assets with donor restrictions	<u>4,776</u>	<u>23,070</u>
Total Support and Revenue	<u>38,016,950</u>	<u>30,294,421</u>
Expenses		
Intermediate Care Facilities	2,279,388	1,736,022
Individual Residential Alternatives	28,831,642	22,368,768
Home Based Services	146,315	212,467
Day Habilitation	1,969,364	1,466,432
Other Program Services and Events	247,182	72,787
Fundraising	25,119	8,429
Administration	<u>3,073,402</u>	<u>3,119,598</u>
Total Expenses	<u>36,572,412</u>	<u>28,984,503</u>
Change in Net Assets Without Donor Restrictions	<u>1,444,538</u>	<u>1,309,918</u>
Net Assets With Donor Restrictions		
Donations	14,135	33,200
Interest/investment income (loss)	(7,435)	8,393
Release of net assets with donor restrictions	<u>(4,776)</u>	<u>(23,070)</u>
Change in Net Assets With Donor Restrictions	<u>1,924</u>	<u>18,523</u>
Change in Net Assets	1,446,462	1,328,441
Net Assets, January 1, as previously reported	16,325,123	15,302,999
Prior period adjustment - Correction of an error (Note 19)	<u>-</u>	<u>(306,317)</u>
Net Assets, January 1, as restated	<u>16,325,123</u>	<u>14,996,682</u>
Net Assets, December 31	<u>\$ 17,771,585</u>	<u>\$ 16,325,123</u>

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Intermediate Care Facilities	Supervised Residential Alternatives	Supportive Residential Alternatives	IRA Com Res Services	Home Based Services	Day Habilitation	Other Program Services and Events	Fundraising	Admini- stration	2022 Total	(Restated) 2021 Total
Personal services	\$ 1,355,402	\$ 19,005,521	\$ 375,575	\$ 27,687	\$ 81,386	\$ 1,265,285	\$ -	\$ -	\$ 1,790,496	\$ 23,901,352	\$ 17,941,868
Mandated fringe benefits	188,921	2,700,436	52,257	4,024	11,837	184,183	-	-	218,369	3,360,027	2,486,234
Non-mandated fringe benefits	115,658	1,653,249	31,992	2,464	7,247	112,757	-	-	132,938	2,056,305	2,098,685
Food	48,411	623,589	30,780	-	-	10,558	22	-	-	713,360	635,397
Repairs and maintenance	40,210	720,157	2,080	-	-	30,689	27,508	-	33,369	854,013	716,374
Utilities	18,718	372,404	22,259	-	994	15,835	1,490	-	10,172	441,872	334,667
Transportation - participant	21,031	354,834	36,725	1,844	85	57,069	294	-	-	471,882	251,154
Staff travel	2,577	44,317	4,316	-	1,097	442	38	3	3,419	56,209	50,966
Participant incidentals	12,300	125,203	17,768	-	50	683	-	-	-	156,004	141,781
Equipment expense	4,537	106,776	2,322	-	-	5,715	4,046	-	38,480	161,876	154,414
Section 43.04 services assessment	101,979	-	-	-	-	-	-	-	-	101,979	81,610
Staff development	1,456	18,625	559	-	-	4,211	-	-	44,955	69,806	45,079
Contracted services	143,480	281,023	307	-	-	-	-	-	175,394	600,204	547,865
Day services	-	-	16,817	-	-	-	-	-	-	16,817	15,426
Supplies/materials - non-house	40,463	231,904	6,319	(1)	-	32,302	5,023	-	-	316,010	388,151
Household supplies	11,226	213,434	12,981	-	-	1,325	-	-	597	239,563	210,141
Telephone	6,214	141,796	29,217	5	5,249	21,730	1,969	-	27,683	233,863	239,728
Other	15	978	88	-	-	410	31,520	23,355	11,426	67,792	133,789
Audit and legal	-	-	-	-	-	-	2,501	-	127,477	129,978	114,866
Employment and recruiting	-	-	-	-	-	-	-	-	19,223	19,223	23,158
Office supplies and postage	4,602	69,876	3,833	102	606	15,350	-	-	44,585	140,715	143,967
General insurance	5,977	87,946	7,847	-	-	11,803	-	1,761	333,904	447,477	281,706
Depreciation - provider paid	34,910	689,524	8,560	-	332	56,277	154,133	-	51,208	994,944	928,572
Depreciation - state paid	10,000	116,487	-	-	-	-	12,020	-	-	138,507	139,332
Leases - vehicles and equipment	106	19,128	-	-	-	2,820	50	-	3,106	25,210	24,752
Leases - real property	-	72,703	198,464	-	-	115,921	-	-	-	387,088	366,510
Real property taxes	-	1,795	-	-	-	8,095	922	-	-	10,812	12,953
Capital debt interest	56,399	232,259	-	-	-	11,924	1,571	-	1,109	303,262	291,551
Property insurance	1,864	37,442	964	-	-	4,274	767	-	2,575	47,886	53,555
Amortization - provider paid	79	26,466	-	-	-	2,165	1,924	-	2,917	33,551	34,475
Bond administration fees	-	804	-	-	-	-	-	-	-	804	1,038
Bad debts	52,853	18,320	2,616	-	1,307	(2,459)	1,384	-	-	74,021	94,739
Sub-Total	2,279,388	27,966,996	864,646	36,125	110,190	1,969,364	247,182	25,119	3,073,402	36,572,412	28,984,503
Allocation of Administration	205,649	2,529,580	78,009	3,259	9,941	177,679	67,019	2,266	(3,073,402)	-	-
Total Functional Expenses	\$ 2,485,037	\$ 30,496,576	\$ 942,655	\$ 39,384	\$ 120,131	\$ 2,147,043	\$ 314,201	\$ 27,385	\$ -	\$ 36,572,412	\$ 28,984,503
2021 Functional Expenses Before Allocation of Administration	\$ 1,736,022	\$ 21,719,733	\$ 649,035	\$ 31,246	\$ 181,221	\$ 1,466,432	\$ 72,787	\$ 8,429	\$ 3,119,598	\$ 28,984,503	
Percent Change from 2021	31.30%	28.76%	33.22%	15.61%	-39.20%	34.30%	239.60%	198.01%	-1.48%	26.18%	

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>(Restated)</u> <u>2021</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 1,446,462	\$ 1,328,441
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,133,451	1,067,904
Interest on deferred mortgage charges	33,551	34,475
Amortization of bond premium	(2,467)	(2,467)
(Gain) loss on disposal of plant, property and equipment	(179,193)	(800)
Bad debt	74,021	94,739
Amortization of right-of-use asset	1,208	2,289
(Increase) Decrease in assets:		
Receivables		
Program	(1,267,010)	321,416
Other	1,106	(22,391)
Prepaid expenses	(6,711)	(125,345)
Deposits	(1,110)	(3,495)
Resident's funds	1,484	(4,022)
Increase (Decrease) in liabilities:		
Accounts payable	39,115	51,874
Accrued expenses	444,258	359,902
Deferred revenue	413,125	(69,250)
Accrued funding adjustments	-	60,000
Net Cash Provided By Operating Activities	<u>2,131,290</u>	<u>3,093,270</u>
Cash Flows From Investing Activities		
Expenditures for plant, property and equipment	(1,789,736)	(1,515,332)
Proceeds from sale of plant, property and equipment	252,563	800
Increase in beneficial interest in assets held by others	7,435	(8,393)
Increase in cash and investments-Debt Service Fund	43,367	16,480
Investment in HVSP	-	(6,000)
Net Cash Used By Investing Activities	<u>(1,486,371)</u>	<u>(1,512,445)</u>
Cash Flows From Financing Activities		
Repayment of long-term debt	(833,260)	(1,023,059)
Proceeds from long-term debt	363,127	959,477
Net increase (decrease) in due to NYS OPWDD	(114,581)	78,016
Net Cash Provided (Used) By Financing Activities	<u>(584,714)</u>	<u>14,434</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	60,205	1,595,259
Cash, Cash Equivalents and Restricted Cash, January 1	<u>7,544,322</u>	<u>5,949,063</u>
Cash, Cash Equivalents and Restricted Cash, December 31	<u>\$ 7,604,527</u>	<u>\$ 7,544,322</u>
Reconciliation of Cash Balances Included in the Statement of Cash Flows with Those in the Statement of Financial Position		
Unrestricted Cash	\$ 7,554,527	\$ 7,494,322
Restricted Cash	50,000	50,000
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 7,604,527</u>	<u>\$ 7,544,322</u>
Supplemental Information		
Interest paid	<u>\$ 303,262</u>	<u>\$ 291,551</u>
Supplemental Information		
Plant, property, and equipment acquired with debt financing	<u>\$ 283,325</u>	<u>\$ 162,450</u>

See accompanying notes to financial statements.

**NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

New Horizons Resources, Inc. (the Agency) was incorporated in 1974 as a not-for-profit corporation which provides opportunities and support for children and adults with developmental disabilities. The Agency operates residential, home based, and day programs in Dutchess and Ulster Counties. The Agency's revenue comes from Medicaid and state fees, grants, participant fees, and individual contributions. The Agency receives the majority of its support from Medicaid.

Net Assets

In the accompanying financial statements, net asset categories that have similar characteristics have been combined into two net asset categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions include resources which are available for the support of the Agency's operating activities.

Net assets with donor restrictions include resources that have been contributed to the Agency subject to restriction, as defined by the donor, see Note 14.

Net assets with donor restrictions also include resources that have donor-imposed restrictions that stipulate those resources be maintained intact permanently, but which permit the Agency to expend all of the income derived from the donated assets for operating purposes, see also Note 14.

Recognition of Program Revenue

Income from government agencies is recognized when services are rendered at approved rates. These rates are primarily cost based and determined by allowable expenditures in rate setting periods. Costs are subject to audit by third party payors and changes, if any, are recognized in the year they are known. Included in program revenue are income (expense) adjustments of \$14,683 and \$290,793 for 2022 and 2021, respectively, attributable to prior years.

There are occasions when funding sources grant the Agency funds for capital additions. Included in nonprogram support and revenue is additional income of \$-0- for 2022 and 2021, attributable to such grants.

Participant fees represent the residents' personal contributions towards the cost of goods and services provided by the Agency. Charges are regulated by Federal and State law.

Cash Equivalents

Short-term investments with an initial maturity of three months or less are considered cash equivalents for purposes of the statement of cash flows.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Contributions

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as release of net assets with donor restrictions. The Agency reports donor restricted contributions as net assets without donor restrictions if the restrictions are met at the time the contribution is received or in the same reporting period.

The Agency reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Plant, Property, Equipment and Depreciation

Plant, property, and equipment are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes plant, property, and equipment with a cost of \$5,000 or more and a useful life of greater than one year. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations on a straight-line basis over the following useful lives:

	<u>Years</u>
Buildings and improvements	5-25
Furniture, fixtures and equipment	5-15
Vehicles	4

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When plant, property, and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Taxes

The Agency is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. Management of the Agency is not aware of any events that could jeopardize tax exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

**NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Bad Debts

Bad debts are recognized using the direct write-off method since management does not believe this method would result in a material difference from the allowance method.

Investment Valuation

The Agency's investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Reclassifications

When necessary, certain prior year amounts have been reclassified to conform to the current year financial statement presentation. Unless otherwise disclosed here, these reclassifications, had no effect on changes in net assets or total net assets.

Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the Statements of Activities and Statement of Functional Expenses. Expenses are charged directly to program or supporting services based on direct expenditures incurred. Certain categories of expenses are attributable to more than one program or supporting service. Significant expenses that are allocated include wages, related expenses and depreciation. Wages and related expenses are allocated based on the time and effort worked per program. Depreciation is allocated to the program for which the asset relates. Insurance, utilities, and maintenance costs are allocated across programs based on square footage or the number of FTEs. Other program services include expenses for the maintenance and operation of Briggs Farm and ancillary program grants.

Liquidity

New Horizons Resources, Inc. monitors liquidity required to meet its operating needs and other contractual commitments. New Horizons has an available line-of-credit of \$1,000,000, which prior to December 31, 2022, had been reduced by a standby letter of credit to \$976,768 (see Note 8); however, positive cash flow has negated the need to use the line. New Horizons also has an available equipment line-of-credit of \$500,000 (see Note 8).

Financial assets available to meet general expenditures over the next 12 months:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,604,527	\$ 7,544,322
Program accounts receivable, net	3,492,609	2,299,620
Other accounts receivable, net	45,957	47,063
Less, net assets with donor restrictions (see Note 14)	<u>136,588</u>	<u>134,664</u>
Total Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 11,006,505</u>	<u>\$ 9,756,341</u>

**NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Comparative Financial Information

The accompanying statement of functional expenses includes certain prior year summarized comparative amounts in total only. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Future Accounting Standards

In June 2016 the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Agency's management is currently evaluating the provisions of this standard to determine the impact the new standard will have on its financial position or results of operations.

2. RECEIVABLES

At December 31, the Agency's receivables consisted of the following:

	<u>2022</u>	<u>2021</u>
Medicaid	\$ 2,243,608	\$ 2,128,476
New York State OPWDD	1,199,419	87,978
Participant fees	49,582	83,166
Total Program Receivables	<u>\$ 3,492,609</u>	<u>\$ 2,299,620</u>
Other	<u>\$ 45,957</u>	<u>\$ 47,063</u>

Bad debt expense related to accounts receivable for the years ended December 31, 2022 and 2021, was \$74,021 and \$94,739, respectively.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

3. PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 23,768,281	\$ 22,362,412
Land and improvements	4,357,441	4,096,256
Furniture and equipment	1,478,670	1,462,672
Vehicles	2,576,277	2,411,264
Deferred Assets	110,956	143,207
Construction in progress	764,242	1,094,048
Plant, Property and Equipment	<u>33,055,867</u>	<u>31,569,859</u>
Less accumulated depreciation	<u>18,001,245</u>	<u>17,381,477</u>
Plant, Property and Equipment - net	<u>\$ 15,054,622</u>	<u>\$ 14,188,382</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$1,133,451 and \$1,067,904, respectively.

Included in plant, property, and equipment as of December 31, 2022 and 2021, are assets under capital leases with a historical cost and accumulated amortization, both in the amount of \$127,934.

Construction in progress at December 31, 2022 is related to modifications of the Jansen Road and Dover Plains, N.Y. locations, and various other small projects, which are expected to be completed in 2023.

4. FUNDED RESERVES

The employee benefit card reserve represents the minimum funding advanced to the third-party administrator of the Agency's flexible benefit debit card plan. Employees utilize debit cards to pay for eligible medical expenses, drawing against limits pre-set by the Agency.

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2022</u>	<u>2021</u>
Bonds payable - DASNY Bonds, secured by mortgage on Gerry Road residence, Poughkeepsie, interest at 3.45%, payable in monthly payments of \$1,652, maturing July 2042 (includes \$1,376 of unamortized bond discount at December 31, 2022).	\$ 303,624	\$ 313,624
Notes Payable - KeyBank, secured by Mortgage on Overlook Residence, interest at 6.77%, payable in monthly payments of \$1,443, maturing August 1, 2038.	166,451	-

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2022</u>	<u>2021</u>
Note payable - KeyBank, secured by mortgage on Scenic View Lane residence, Poughquag, interest at 7.75%, payable in monthly payments of \$2,391, principal balance of \$19,773 plus accrued interest matured February 2022.	\$ -	\$ 21,887
Bonds payable - DASNY Bonds, secured by mortgage on Angelo Blvd. residence, Poughkeepsie, interest at 2.76%, payable in monthly payments of \$6,667, matured June 2022.	-	44,259
Note payable - KeyBank, secured by mortgage on Albrecht Lane residence, Pleasant Valley, interest at 7.79%, payable in monthly payments of \$6,800, principal balance of \$22,940 plus accrued interest maturing April 2023.	42,482	117,477
Note payable - KeyBank, secured by mortgage on Round Hill Road residence, Poughkeepsie, interest at 7.80%, payable in monthly payments of principal of \$3,545 plus interest, maturing December 2023.	42,539	85,079
Note payable - Rhinebeck Savings Bank, secured by mortgage on Seaman Road residence, East Fishkill, interest at 7.22%, payable in monthly payments of \$6,376, maturing May 2023.	37,511	102,783
Note payable - KeyBank, secured by mortgage on Deer Run residence, Wallkill, interest at 7.30%, payable in monthly payments of principal of \$2,611 plus interest, maturing January 2024.	33,942	65,272
Note payable - KeyBank, secured by mortgage on West Road training and administration facility, Pleasant Valley, interest at prime (7.5% as of December 31, 2022), payable in monthly payments of \$7,829, maturing February 2023.	12,386	103,794
Note payable - Rhinebeck Savings Bank, secured by mortgage on Thornwood Drive residence, Poughkeepsie, interest at 7.00%, payable in monthly payments of \$6,124, maturing March 2023.	24,094	87,670

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2022</u>	<u>2021</u>
Note payable - KeyBank, secured by mortgage on Route 22 residence, Millerton, interest at 6.72%, payable in monthly payments of principal of \$1,356, plus interest. Residence was sold in 2022 and note was paid-in-full.	\$ -	\$ 47,464
Note payable - KeyBank, secured by mortgage on Route 22 residence, Dover Plains, interest at 7.37%, payable in monthly payments of principal of \$3,352, plus interest, maturing March 2024.	50,276	90,498
Note payable - KeyBank, secured by mortgage on North Clove Road residence, Verbank. Payments of interest only (at 5.5%) through July 2010, the construction loan period; then payable in equal installments of principal of \$3,592, plus interest at 6.84%, maturing June 2025.	111,338	154,437
Note payable - M&T Bank, secured by mortgage on Pleasant Ridge Drive residence, Poughkeepsie. Payments of interest at 4.99%, payable in monthly payments of \$5,331, maturing January 2028.	286,226	334,388
Note payable - Keybank, secured by mortgage on Clinton residence. Payments of interest at 6.5%, payable in monthly payments of \$3,602, maturing on August 1, 2033.	337,331	-
Note payable - KeyBank, secured by mortgage on Unionvale residence, Verbank. Payments of interest at 5.88%, payable in monthly principal payments of \$3,421 plus accrued interest, maturing April 2029.	260,860	301,915
Note payable - KeyBank, secured by mortgage on Miron Drive residence, Poughkeepsie. Payments of interest at 6.13%, payable in monthly principal payments of \$3,867 plus interest, maturing February 2031.	373,832	420,235
Various notes payable - Rhinebeck Saving Bank, secured by vehicles, interest ranging from 4% - 4.69%, payable in monthly payments ranging from \$1,046 - \$2,006, with various maturities thru August 2027.	44,511	7,949

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2022</u>	<u>2021</u>
Various notes payable - Toyota Financial Services, secured by vehicles purchased, interest ranging from 0% - 8.63%, payable in monthly payments ranging from \$706 - \$917, with maturities from January 2022 - July 2027.	\$ 107,639	\$ 101,712
Note Payable - M&T Bank, secured by generator, interest at 4.33%, payable in monthly payments of \$1,659, maturing on March 2027.	77,041	-
Note payable - KeyBank secured by mortgage on Cream Street, interest at 6.25%, payable in monthly payments of principal of \$2,549 plus interest, maturing May 2029.	362,104	369,486
Notes payable - KeyBank secured by mortgage on multiple IRA locations, interest at 5.85%, payable in monthly payments of \$1,046, maturing June 2032.	529,523	569,958
Note payable - KeyBank, secured by mortgage on Dwight Street residence, Poughkeepsie, interest at prime plus 2% (7.5% at December 31, 2022), payable in monthly payments of \$3,177, maturing May 2032.	314,820	336,935
Note payable - KeyBank, secured by mortgage on Jansen Road residence, Pine Bush, interest at 5.55%, payable in monthly payments of \$1,289, maturing January 2040.	169,531	175,282
Note payable - KeyBank, secured by mortgage on Cream Street residence, interest at prime plus 2% (9.5% at December 31, 2022), payable in monthly payments of \$816, maturing May 2032.	163,453	174,936
Note payable - KeyBank, secured by mortgage on Angelo Blvd Residence and Miron Drive Residence, interest at 5%, payable in monthly payments of \$2,877, maturing June 2036.	344,756	362,602
Note payable - KeyBank, secured by real property in Napanoch, interest at 5.95%, payable in monthly payments of \$2,089, maturing October 2024.	43,391	65,131

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2022</u>	<u>2021</u>
Various notes payable - M&T Bank, secured by vehicles purchased, interest at 3.67% for each, payable in monthly payments of \$991 each, all with a maturity of July 2026.	\$ 186,946	\$ 143,412
Note payable - KeyBank, secured by mortgage on Tyrell Road residence, interest at 5.91%, payable in monthly payments of \$6,177, maturing June 2046, subject to specific financial covenants which were met as of December 31, 2022.	<u>935,804</u>	<u>953,501</u>
Total Long-Term Debt	5,362,411	5,551,686
Less Current installments	735,075	934,280
Less Unamortized Deferred Mortgage Costs	<u>88,150</u>	<u>121,701</u>
Long-Term Debt, net of current installments	<u>\$ 4,539,186</u>	<u>\$ 4,495,705</u>

Interest expense for the years ended December 31, 2022 and 2021, was \$336,814 and \$326,028, respectively, which includes amortization expense of \$33,551 and \$34,475, respectively, which is related to deferred mortgage costs.

Long-term debt, (excluding \$(1,376) of unamortized discounts on bonds payable, and \$305,000 of bonds payable), is payable as follows:

2023	\$ 720,075
2024	511,179
2025	428,825
2026	372,588
2027	367,828
Thereafter	<u>2,658,292</u>
Total Long-Term Debt	<u>\$ 5,058,787</u>

In 2013, the Agency borrowed \$997,979 from the Dormitory Authority of the State of New York's (DASNY) Interagency Council Pooled Loan Program Revenue Bonds, Series 2013A-1 (tax exempt) and Series 2013A-2 (Federally taxable). The borrowing from Series 2013A-1 amounted to \$942,979 and Series 2013A-2 amounted to \$55,000. The bonds are secured by the Agency's real property and its contents located in Dutchess County, New York and a pledge, security interest in, and assignment to DASNY of the Agency's revenues. The loan agreement required the Agency to deposit to a debt service reserve fund \$65,356 and \$3,764 for the 2013A-1 and 2013A-2 bonds, respectively. In

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

In addition, the Agency remits monthly payments to BNY Mellon (the Trustee) towards the next semiannual installment due on the loan. Withdrawals are made by the Trustee on July 1 and January 1 of each year to pay the bondholders. The 2013A-1 bonds were issued at a premium of \$42,979, which is amortized on a straight-line basis over the life of the bonds. Prior to January 1, 2021, the debt related to the 2013A-2 bonds was paid-in-full. During the year ended December 31, 2021, \$221,307 of the debt related to the 2013A-1 bonds was paid-in-full and during the year ended December 31, 2022, the remaining debt related to the 2013A-1 bonds was paid-in-full. The amount held in the debt service fund related to the bonds was returned to the Agency in 2022 after all of the related debt was paid-in-full.

In 2017, the Agency borrowed \$365,000 from the Dormitory Authority of the State of New York's (DASNY) Interagency Council Pooled Loan Program Revenue Bonds, Series 2017A-1 (tax exempt) and Series 2017A-2 (Federally taxable). The borrowing from Series 2017A-1 amounted to \$330,000 and Series 2017A-2 amounted to \$35,000. The bonds are secured by the Agency's real property and its contents located in Dutchess County, New York and a pledge, security interest in, and assignment to DASNY of the Agency's revenues. The loan agreement required the Agency to deposit to a debt service reserve fund \$12,862 and \$386 for the 2017A-1 and 2017A-2 bonds, respectively. In addition, the Agency remits monthly payments to BNY Mellon (the Trustee) towards the next semiannual installment due on the loan. Withdrawals are made by the Trustee on July 1 and January 1 of each year to pay the bondholders. The 2017A-1 bonds were issued at a discount of \$1,376, which is amortized on a straight-line basis over the life of the bonds. The debt related to the 2017A-2 bonds was paid-in-full during the year ended December 31, 2020.

The 2017 bond agreement contains a covenant pertaining to maintenance of a performance measure. The Agency is required to maintain a total debt service coverage ratio of not less than 1.00 to 1.00 and debt service coverage ratio excluding PPA loans of not less than 1.25 to 1.00. The covenants, which are measured as of the fiscal year end of the Agency, were both met as of December 31, 2022.

The 2017A-1 bonds payable mature on July 1 in each of the years in the respective amounts and bear interest at the respective average rates per annum set forth below:

	<u>Gerry Road - 2017</u>	
	<u>Amount</u>	<u>Interest</u>
2023	\$ 10,000	3.45%
2024	10,000	3.45%
2025	10,000	3.45%
2026	10,000	3.45%
2027	10,000	3.45%
Thereafter	<u>255,000</u>	3.45%
	<u>\$ 305,000</u>	

**NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

In connection with the bonds payable, the Agency incurred financing costs in the amount of \$140,247, which are being amortized over the life of the bonds using the straight-line basis, which approximates the effective interest method. Interest and amortization expense net of bond premium amortization amounted to \$15,507 for the years ended December 31, 2022 and 2021. These amounts are included in the unamortized deferred mortgage costs disclosed on page 16.

The cash and investments-debt service fund consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
U.S. Treasury Bills	\$ 24,247	\$ 67,614
	<u>\$ 24,247</u>	<u>\$ 67,614</u>

The Agency's investments are classified as level one assets and have been recorded at their fair value based on unadjusted quoted market prices within active markets. There have been no changes in valuation methodologies used during the years ended December 31, 2022 and 2021. For the years ended December 31, 2022 and 2021, there were no transfers in or out of level 1. The Agency's investments are subject to market volatility that could significantly change the carrying value in the near term.

6. DUE NYS OPWDD

	<u>2022</u>	<u>2021</u>
Loans payable to the New York State (NYS) Office for People with Developmental Disabilities (OPWDD), unsecured, non-interest bearing, various payments recouped weekly from Medicaid receipts.	\$ 12,809	\$ 12,107
Amounts due to the New York State (NYS) Office for People with Developmental Disabilities (OPWDD) relating to excess supplemental land and property payments for the IRAs, amounts are being recouped monthly from Medicaid receipts.	33,638	148,921
	<u>46,447</u>	<u>161,028</u>
Less Current installments	<u>46,447</u>	<u>161,028</u>
Due NYS OPWDD, net of current installments	<u>\$ -</u>	<u>\$ -</u>

7. RESIDENTS' FUNDS

The Agency has signature authority over residents' funds. These funds are used for authorized and allowable purchases of participants' personal items.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. LINES-OF-CREDIT

As of December 31, 2022, the Agency had an available unsecured line-of-credit of \$1,000,000 at KeyBank of New York. Interest is at prime plus 2% (9.5% as of December 31, 2022). There was no outstanding balance as of December 31, 2022.

The Agency reduced the available line to \$585,000 on February 1, 2013, in order to secure a \$415,000 standby letter of credit. The letter of credit was required by AIG/Chartis pursuant to a 2013 payment agreement for workers compensation insurance. The standby letter of credit was reduced by AIG to \$40,332 as of September 30, 2017, and then further reduced to \$23,232 in November 2021. The letter of credit has expired as of December 31, 2022, and the available line-of-credit was increased back to \$1,000,000.

The loan agreement relating to the revolving line-of-credit contains covenants pertaining to maintenance of various performance measures. The Agency is required to maintain an operating cash flow to fixed charge (ocf/fc) ratio of not less than 1.00 to 1.00 and maintain a total debt to tangible net worth (td/tnw) of less than 2.0 to 1.00 each fiscal year. The covenants are measured as of the fiscal year end of the Agency and as of December 31, 2022 both of the covenants were met.

During the year ended December 31, 2021, the Agency obtained a \$500,000 secured equipment line-of-credit with M&T bank. The line-of-credit is secured by the Agency's deposits on hand at M&T Bank, which as of December 31, 2021, totaled \$100,481. The interest rate is determined at the time the Agency draws on the line-of-credit. As of December 31, 2022, there was no outstanding balance due.

9. CONTRIBUTION IN KIND

The Agency occasionally receives donated services, supplies or property and equipment. The revenue is reflected as nonprogram support and the related cost as expenses, for services and supplies, or as property and equipment in the accompanying financial statements. During the years ended December 31, 2022 and 2021, the Agency did not receive any donated supplies or property and equipment, but did receive \$27,600 and \$34,500, respectively, of donated software licensing fees. These amounts, if any, would represent non-cash transactions.

10. TAX DEFERRED ANNUITY PLAN

During the year ended December 31, 1996, pursuant to a collective bargaining agreement, the Agency entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time and part-time employees of New Horizons Resources, Inc. The Agency contributes an amount subject to approval by the Board of Directors. There were no Agency contributions to the plan for the years ended December 31, 2022 and 2021.

11. OPERATING LEASES

The Agency follows ASU 2016-02, *Leases (Topic 842)*. The Agency determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. OPERATING LEASES

The Agency leases fifteen apartments and office space for its residential program, fire alarm systems, other household equipment for the residences it owns, a phone system, and office equipment. Terms of the leases vary from monthly to five years. Two of the Agency's property leases, Napanoch DayHab and Brookside Meadows IRA, include an option to either renew for an additional term or terminate the lease. For purposes of calculating lease liabilities, these options are included within the lease term when it has become reasonably certain that the Agency will exercise such options. The incremental borrowing rate utilized to calculate our lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. The operating leases do not contain any material guarantees or restrictive covenants. The Agency does not have any finance leases or sublease activities.

The Agency incurred lease expense for operating leases with terms in excess of one year of \$67,141 and \$79,023 for the years ended December 31, 2022 and 2021, respectively. These leases are included in the right-of-use assets-operating leases and lease liability in the accompanying statements of financial position. Total cash paid for the amounts included in the measurement of lease liabilities during the years ended December 31, 2022 and 2021 was \$65,934 and \$77,091, respectively. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected in the accompanying statement of financial position. Lease expense for such short-term leases was \$345,158 and \$311,341, for the years ended December 31, 2022 and 2021, respectively.

At December 31, 2022, future payments of operating lease liabilities were as follows:

2023	\$ 45,379
2024	41,231
2025	41,969
2026	42,722
2027	39,625
Thereafter	<u>53,412</u>
Total Lease Payments	264,338
Less: Present value discount	<u>41,629</u>
Total Present Value of Lease Liabilities	<u>\$ 222,709</u>

The right-of-use assets obtained in exchange for new lease liabilities were \$4,939 and \$17,336, respectively, for the years ended December 31, 2022 and 2021.

Supplemental statement of financial position and other information related to the Agency's operating leases is as follows:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2021</u>
Weighted average remaining lease term (in years)	6.04	6.50
Weighted average discount rate - operating leases	5.74%	5.69%

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

12. CONCENTRATIONS

The Agency maintains its cash accounts in local financial institutions. At times, these balances may exceed FDIC insured amounts, or may not be covered by FDIC Insurance. Financial investments which potentially subject the Agency to credit risk consist primarily of cash accounts. The Agency's concentration of credit risk was approximately \$7,630,000 as of December 31, 2022.

Approximately 70% of the Agency's full-time equivalent employees are covered by a collective bargaining agreement (CBA) that was effective October 20, 2021 and ends on October 19, 2024. The risk related to this agreement is minimal. During the years ended December 31, 2022 and 2021, the Agency's Board of Directors approved and the union membership ratified five memorandums of agreement (MOA). A few of the provisions of the MOA are the creation of new bargaining unit classifications, a mentoring program for direct support professionals, credentialing opportunities for director support professionals, one-time bonus payments, the maintaining of current healthcare options and a retro wage increase back to February 2021.

13. RELATED PARTY INFORMATION

A member of the Board of Directors also acts as the Agency's insurance broker for policies obtained from Affinity Insurance Services, Inc. (AIS) and The Philadelphia Insurance Co. (PIC). Total premiums paid to AIS for the July 2022-July 2023 and July 2021-July 2022 policy years were \$474,993 and \$284,827, respectively. Total premiums paid to PIC for the July 2021-July 2022 policy year (policy cancelled end of July 2021) were \$106,080 and for the July 2020-July 2021 policy year were \$225,968.

14. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022 and 2021, net assets with donor restrictions includes an amount that was transferred from New Horizons Foundation during 2017. This amount represents a donation that had been made to the Foundation with the stipulation that the principal remain intact and that only the income generated be used for the benefit of the residents of the Agency. The income available for distribution from this fund is reported in the statement of activities as net assets without donor restrictions.

As of December 31, 2022 and 2021, net assets with donor restrictions include donations that become available for use after the expiration of a time or purpose restriction has been met.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

14. NET ASSETS WITH DONOR RESTRICTIONS

	<u>2022</u>	<u>2021</u>
Restrictions for specific purpose:		
Regis Scholarship	\$ 3,850	\$ 4,350
Community Foundation of the Hudson Valley (*)	53,486	60,921
Pleasant Valley (Anderson)	5,135	2,893
STRBA	24,000	14,000
Thanksgiving fund	117	-
Kessler, Michael and Julia	-	2,500
	86,588	84,664
Restrictions in Perpetuity:		
Gerla Fund (**)	50,000	50,000
Total Net Assets with Donor Restrictions	\$ 136,588	\$ 134,664

(*) This amount represents the assets of The New Horizons Endowment Fund (the Fund), which is held by the Community Foundations of the Hudson Valley (CF).

(**) Included in restricted cash in the accompanying statements of financial position.

The CF has variance powers, which give the CF the right to distribute the investment income to another not-for-profit organization of its choice if the Agency is no longer a qualified charitable organization. The CF receives contributions from donors for this Fund. Unless otherwise designated by the donor, income of the Fund, as determined annually by the "payout rate" adopted by the Board of Trustees of the CF, shall be paid and distributed to the Agency upon request. The Board of Trustees of the CF has the option of accessing corpus in order to make a distribution to the Agency, if it so desires, up to the maximum payout rate.

15. COMMITMENTS AND CONTINGENCIES

Pursuant to the Agency's and its related party's contractual relationships with certain governmental funding sources, such funding sources have the right to examine the books and records of the Agency involving transactions relating to these matters. As of December 31, 2022, the Agency was not under review with any governmental funding sources.

During the years ended December 31, 2022 and 2021, the Agency benefited from additional funding through several sources. Agency management believes that there is a possibility that some funds could be recouped at a later date and therefore, management has established a reserve for any future possibility of recoupments in the amount of \$320,000, which is included in the accompanying statements of financial position as of both December 31, 2022 and 2021.

16. COVID-19

The outbreak of COVID-19, a respiratory disease, has been characterized as a pandemic by the World Health Organization on March 11, 2020. As of the date of the audit report, the extent to which the pandemic may impact the demand for services, contributions, the Agency's liquidity, and its future fiscal or operating results, is uncertain.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

17. INVESTMENT IN INDEPENDENT PRACTICE ASSOCIATION

As of December 31, 2022 and 2021, New Horizons Resources, Inc. had a 5.5% and 7.6% interest, respectively, in Hudson Valley Service Providers, LLC (HVSP, LLC), a New York limited liability company. HVSP, LLC was established to assist its members in fulfilling their respective charitable purposes of providing quality, community-based support services for people with intellectual and developmental disabilities and their families living in the Hudson Valley Region of New York State, and to accomplish regional enhancements in Health, Community & Family Integration, and Person Centered Planning Services for such persons by pooling the resources of the Members. Under the terms of the operating agreement, New Horizons Resources, Inc. was allocated 5.5 % and 7.6% of the HVSP, LLC's December 31, 2022 and 2021 net income, respectively. The Agency's investment in HVSP, LLC is accounted for and recorded in the accompanying statements of financial position using the cost method of accounting. (See Note 19.)

18. PROVIDER RELIEF FUNDS, FEDERAL MEDICAL ASSISTANCE PERCENTAGE PROGRAM, AND WORKFORCE STABILIZATION INITIATIVES

CARES Act Provider Relief Funds

The passage of the CARES Act on March 27, 2020, charged the U.S. Department of Health and Human Services (HHS) with providing funds dedicated to delivering relief to providers impacted by the coronavirus. HHS distributed a series of funding to organizations like the Agency, across the nation. The funds distributed were to reimburse eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus. The Agency received \$571,062 in Provider Relief Funds (PRF) during 2020 and accounted for the funding under ASC 958-605, as a conditional grant, and recognized \$413,348 of the PRF as revenue as the conditions were substantially met as of December 31, 2020. The remaining \$157,713 of PRF was recognized as revenue during 2021 when the conditions of the grant were met. The Agency has not received any additional PRF.

Federal Medical Assistance Percentage Program

The American Rescue Plan Act of 2021 provided for supplemental funding for mental health services through the time-limited expansion of the Federal Medical Assistance Percentage (FMAP) program. The first FMAP funding consisted of the workforce stabilization longevity and retention supplemental payments. Recipient organizations of these funds must use the amounts received for retention, longevity pay and mandated fringe. During the year ended December 31, 2022, the Agency received approximately \$5,900,000 of FMAP funding, which was used by the Agency in accordance with the requirements of the FMAP program. Accordingly, the Agency has recorded the funding in nonprogram revenue in the accompanying statement of activities and as personal services in the accompanying statement of functional expenses.

Workforce Stabilization Initiatives

During the year ended December 31, 2021, the Office of People With Developmental Disabilities (OPWDD) approved workforce stabilization initiatives and Vaccination Incentive Payments.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

18. PROVIDER RELIEF FUNDS, FEDERAL MEDICAL ASSISTANCE PERCENTAGE PROGRAM, AND WORKFORCE STABILIZATION INITIATIVES

Workforce Stabilization Initiatives

During the year ended December 31, 2022, the Agency received approximately \$917,000 related to the COVID Service and Vaccination incentives and used approximately \$508,000 of the funds in accordance with the incentive programs. The \$508,000 is recorded in the accompanying statement of activities as nonprogram revenue and as personal services in the accompanying statement of functional expenses. The remaining approximate \$409,000 is recorded in deferred revenue in the accompanying statement of financial position until such time as the Agency utilizes the funds in accordance with the initiatives of the program, at which point the Agency will recognize the related revenue and return any overpayment through the eMedNY System.

19. RESTATEMENT OF FINANCIAL STATEMENTS AND PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2022, it was determined that the Agency's investment in Hudson Valley Service Providers, LLC (HVSP, LLC) (see Note 17), that began in 2017, had been previously recorded in the financial statements using the equity method of accounting instead of the cost method of accounting. The cost method of accounting is generally required when the investor owns less than 20% of the investee organization. In correcting this error, management recorded a prior period adjustment which reduced total assets, net assets without donor restrictions, and total net assets as of January 1, 2021 by \$306,317. In addition, management has restated its 2021 financial statements by decreasing total assets by \$496,411, specifically the Investment in HVSP, decreasing its change in net assets without donor restrictions by \$190,094 and total net assets by \$496,411.

20. SUBSEQUENT EVENTS

The Agency's management has evaluated events subsequent to the statement of financial position date of December 31, 2022 through April 20, 2023, which is the date these financial statements were available to be issued, and have determined that there are no events that require recording or disclosure.

NEW HORIZONS RESOURCES, INC.
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	PROGRAM						SUPPORT			(Restated) 2021 Total
	Intermediate Care Facilities	Supervised Residential Alternatives	Supportive Residential Alternatives	IRA Com Res Services	Home Based Services	Day Habilitation	Other Program Services and Events	Fundraising	Adminis- tration	
Program Support and Revenue - without donor restrictions										
Medicaid	\$ 1,786,912	\$ 22,816,070	\$ 660,975	\$ 33,136	\$ 93,489	\$ 2,486,881	\$ -	\$ -	\$ -	\$ 27,877,463
Participant fees	111,787	2,619,927	239,538	-	-	-	-	-	-	2,971,252
NYS Developmental Disabilities	-	259,017	9,320	-	910	-	-	-	-	269,247
Retroactive income (loss)	(5,283)	11,101	12	(864)	13	(8,140)	17,844	-	-	14,683
Total Program Support and Revenue	1,893,416	25,706,115	909,845	32,272	94,412	2,478,741	17,844	-	-	31,132,645
Nonprogram Support and Revenue - without donor restrictions										
Interest/investment income (loss)	-	26,481	-	-	-	-	-	-	-	26,481
Participant clothing funds	-	40,625	4,750	-	-	-	-	-	-	45,375
Contributions and fundraising	-	-	-	-	-	-	29,580	44,028	-	73,608
Donations	-	250	-	-	-	-	74,827	-	-	75,077
Grants	-	-	-	-	-	-	-	-	-	157,713
Gain on investment in HVSP	-	-	-	-	-	-	-	-	-	35,714
Gain on sale of property, plant, and equipment	-	47,403	(469)	-	-	-	132,259	-	-	179,193
Other income	335,742	5,502,434	124,796	11,582	31,570	377,597	96,074	-	-	6,479,795
Total Nonprogram Support and Revenue	335,742	5,617,193	129,077	11,582	31,570	377,597	332,740	44,028	-	6,879,529
Net assets released from restrictions or transferred										
	-	758	-	-	-	-	4,018	-	-	4,776
Total Support and Revenue - without donor restrictions	2,229,158	31,324,066	1,038,922	43,854	125,982	2,856,338	354,602	44,028	-	38,016,950
Program Support and Revenue - with donor restrictions										
Donations	-	3,000	-	-	-	-	11,135	-	-	14,135
Interest/investment income (loss)	-	(32)	-	-	-	-	(7,403)	-	-	(7,435)
Total Program Support and Revenue - with donor restrictions	-	2,968	-	-	-	-	3,732	-	-	6,700
Total Program and Nonprogram Support and Revenue - with and without donor restrictions	2,229,158	31,327,034	1,038,922	43,854	125,982	2,856,338	358,334	44,028	-	38,023,650
Total Functional Expenses	2,485,037	30,496,576	942,655	39,384	120,131	2,147,043	314,201	27,385	-	36,572,412
Excess(Deficiency) of Support and Revenue over Expenses - 2022	\$ (255,879)	\$ 830,458	\$ 96,267	\$ 4,470	\$ 5,851	\$ 709,295	\$ 44,133	\$ 16,643	\$ -	\$ 1,451,238
Excess(Deficiency) of Support and Revenue over Expenses - 2021 (Restated)	\$ 47,278	\$ 126,329	\$ 63,337	\$ (12,927)	\$ (7,705)	\$ 711,265	\$ 331,942	\$ 13,206	\$ 78,786	\$ 1,351,511