

NEW HORIZONS RESOURCES, INC.
AUDITED FINANCIAL STATEMENTS
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022

NEW HORIZONS RESOURCES, INC.

TABLE OF CONTENTS

	PAGE
<u>AUDITED FINANCIAL STATEMENTS</u>	
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-25
<u>SUPPLEMENTAL INFORMATION</u>	
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES	26



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Horizons Resources, Inc.

Opinion

We have audited the financial statements of New Horizons Resources, Inc. (the Agency), (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Horizons Resources, Inc., as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended December 31, 2023, the Agency adopted new accounting guidance related to accounting for credit losses. Our opinion is not modified with respect to this matter.

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2023 schedule of support and revenue related to functional expenses on page 26 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 2023 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 financial statements or to the 2023 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 2023 financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Latham, NY
April 18, 2024

NEW HORIZONS RESOURCES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 7,484,853	\$ 7,554,527
Restricted	50,000	50,000
Certificates of deposit	250,651	-
Receivables		
Program, net of credit losses	2,561,502	3,492,609
Other	55,380	45,957
Prepaid expenses	225,921	210,745
Total Current Assets	10,628,307	11,353,838
Non Current Assets		
Investment in HVSP	6,000	50,667
Plant, property and equipment - net	15,976,762	15,054,622
Right of use assets - Operating leases	185,334	215,838
Funded reserves	9,626	9,626
Cash and Investments - Debt service fund	24,693	24,247
Beneficial interest in assets held by others	60,905	53,486
Deposits	45,727	36,507
Burial funds	24,889	41,673
Total Non Current Assets	16,333,936	15,486,666
TOTAL ASSETS	\$ 26,962,243	\$ 26,840,504
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 503,893	\$ 630,924
Accrued expenses	1,694,277	2,029,432
Current installments of long-term debt	619,700	735,075
Due to NYS OPWDD	172,515	46,447
Lease liability - current portion	32,227	33,787
Deferred revenue	501,973	501,588
Total Current Liabilities	3,524,585	3,977,253
Other Liabilities		
Long-term debt - net of current installments	4,040,009	4,539,186
Lease liability - long-term	160,882	188,922
Accrued funding adjustments	320,000	320,000
Burial funds	24,889	43,558
Total Other Liabilities	4,545,780	5,091,666
Total Liabilities	8,070,365	9,068,919
Net Assets		
Without donor restrictions	18,686,566	17,634,997
With donor restrictions	205,312	136,588
Total Net Assets	18,891,878	17,771,585
TOTAL LIABILITIES AND NET ASSETS	\$ 26,962,243	\$ 26,840,504

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Net Assets Without Donor Restrictions		
Support and Revenue		
Program	\$ 32,265,374	\$ 31,132,645
Nonprogram	2,149,428	6,879,529
Release of net assets with donor restrictions	9,318	4,776
	<hr/>	<hr/>
Total Support and Revenue	34,424,120	38,016,950
	<hr/>	<hr/>
Expenses		
Intermediate Care Facilities	2,253,454	2,279,388
Individual Residential Alternatives (Supervised/Supportive)	25,547,475	28,831,642
IRA Com Res & Home Based Services	95,582	146,315
Day Habilitation	1,627,994	1,969,364
Other Program Services and Events	103,612	247,182
Fundraising	23,627	25,119
Administration	3,720,807	3,073,402
	<hr/>	<hr/>
Total Expenses	33,372,551	36,572,412
	<hr/>	<hr/>
Change in Net Assets Without Donor Restrictions	1,051,569	1,444,538
	<hr/>	<hr/>
Net Assets With Donor Restrictions		
Donations	13,481	14,135
Interest/investment income (loss)	64,561	(7,435)
Release of net assets with donor restrictions	(9,318)	(4,776)
	<hr/>	<hr/>
Change in Net Assets With Donor Restrictions	68,724	1,924
	<hr/>	<hr/>
Change in Net Assets	1,120,293	1,446,462
Net Assets, January 1	17,771,585	16,325,123
	<hr/>	<hr/>
Net Assets, December 31	<u>\$ 18,891,878</u>	<u>\$ 17,771,585</u>

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Intermediate Care Facilities	Supervised Residential Alternatives	Supportive Residential Alternatives	IRA Com Res Services	Home Based Services	Day Habilitation	Other Program Services and Events	Fundraising	Administration	Total
Personal services	\$ 1,298,232	\$ 16,130,114	\$ 389,340	\$ 19,832	\$ 56,185	\$ 981,636	\$ 222	\$ -	\$ 2,201,315	\$ 21,076,876
Mandated fringe benefits	144,828	1,897,790	42,793	2,305	6,900	120,025	28	-	234,756	2,449,425
Non-mandated fringe benefits	123,968	1,624,484	36,629	1,973	5,906	102,737	24	-	200,845	2,096,566
Food	59,479	683,488	41,015	-	-	5,143	1	-	-	789,126
Repairs and maintenance	50,546	683,376	13,687	-	-	37,450	5,537	-	38,682	829,278
Utilities	21,526	325,979	19,455	-	-	10,996	2,199	-	6,161	386,316
Transportation - participant	31,030	348,779	28,967	446	-	55,615	47	-	-	464,884
Staff travel	3,580	63,230	7,548	-	341	3,825	97	-	5,636	84,257
Participant incidentals	6,572	118,838	25,580	-	-	916	22	-	-	151,928
Equipment expense	17,414	224,201	9,309	-	-	5,792	194	-	37,937	294,847
Section 43.04 services assessment	104,284	-	-	-	-	-	-	-	-	104,284
Staff development	1,009	21,477	515	-	-	3,702	1	-	35,669	62,373
Contracted services	144,028	278,054	389	-	-	-	71	-	176,956	599,498
Day services	-	24	20,016	-	-	-	-	-	-	20,040
Supplies/materials - non-house	48,368	264,272	7,432	-	-	32,050	570	-	734	353,426
Household supplies	18,753	255,992	12,082	-	-	3,628	-	-	72	290,527
Telephone	6,586	150,362	26,639	5	850	24,626	2,734	-	31,540	243,342
Other	1,830	3,659	1	-	-	1,916	10,507	22,273	2,442	42,628
Audit and legal	-	-	-	-	-	-	-	-	160,761	160,761
Employment and recruiting	-	-	-	-	-	-	-	-	30,187	30,187
Office supplies and postage	6,093	78,742	4,194	86	548	21,427	22	1,354	46,657	159,123
General insurance	6,195	90,218	7,139	-	-	11,198	3	-	349,716	464,469
Depreciation - provider paid	83,938	910,404	598	-	-	55,283	69,408	-	151,711	1,271,342
Leases - vehicles and equipment	133	19,641	1	-	-	3,292	-	-	3,744	26,811
Leases - real property	-	56,814	220,331	-	-	116,629	-	-	-	393,774
Real property taxes	-	-	-	-	-	8,530	11,923	-	-	20,453
Capital debt interest	49,182	206,461	-	-	-	10,400	-	-	(11)	266,032
Property insurance	1,855	34,218	597	-	-	4,138	1	-	2,379	43,188
Amortization - provider paid	87	18,758	1	-	-	2,165	1	-	2,918	23,930
Bond administration fees	-	723	-	-	-	-	-	-	-	723
Credit loss expense (recovery)	23,938	135,824	7,295	205	-	4,875	-	-	-	172,137
Sub-Total	2,253,454	24,625,922	921,553	24,852	70,730	1,627,994	103,612	23,627	3,720,807	33,372,551
Allocation of Administration	282,771	3,090,149	115,640	3,119	8,875	204,287	13,001	2,965	(3,720,807)	-
Total Functional Expenses	\$ 2,536,225	\$ 27,716,071	1,037,193	\$ 27,971	\$ 79,605	\$ 1,832,281	\$ 116,613	\$ 26,592	\$ -	\$ 33,372,551

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Intermediate Care Facilities</u>	<u>Supervised Residential Alternatives</u>	<u>Supportive Residential Alternatives</u>	<u>IRA Com Res Services</u>	<u>Home Based Services</u>	<u>Day Habilitation</u>	<u>Other Program Services and Events</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Personal services	\$ 1,355,402	\$ 19,005,521	\$ 375,575	\$ 27,687	\$ 81,386	\$ 1,265,285	\$ -	\$ -	\$ 1,790,496	\$ 23,901,352
Mandated fringe benefits	188,921	2,700,436	52,257	4,024	11,837	184,183	-	-	218,369	3,360,027
Non-mandated fringe benefits	115,658	1,653,249	31,992	2,464	7,247	112,757	-	-	132,938	2,056,305
Food	48,411	623,589	30,780	-	-	10,558	22	-	-	713,360
Repairs and maintenance	40,210	720,157	2,080	-	-	30,689	27,508	-	33,369	854,013
Utilities	18,718	372,404	22,259	-	994	15,835	1,490	-	10,172	441,872
Transportation - participant	21,031	354,834	36,725	1,844	85	57,069	294	-	-	471,882
Staff travel	2,577	44,317	4,316	-	1,097	442	38	3	3,419	56,209
Participant incidentals	12,300	125,203	17,768	-	50	683	-	-	-	156,004
Equipment expense	4,537	106,776	2,322	-	-	5,715	4,046	-	38,480	161,876
Section 43.04 services assessment	101,979	-	-	-	-	-	-	-	-	101,979
Staff development	1,456	18,625	559	-	-	4,211	-	-	44,955	69,806
Contracted services	143,480	281,023	307	-	-	-	-	-	175,394	600,204
Day services	-	-	16,817	-	-	-	-	-	-	16,817
Supplies/materials - non-house	40,463	231,904	6,319	(1)	-	32,302	5,023	-	-	316,010
Household supplies	11,226	213,434	12,981	-	-	1,325	-	-	597	239,563
Telephone	6,214	141,796	29,217	5	5,249	21,730	1,969	-	27,683	233,863
Other	15	978	88	-	-	410	31,520	23,355	11,426	67,792
Audit and legal	-	-	-	-	-	-	2,501	-	127,477	129,978
Employment and recruiting	-	-	-	-	-	-	-	-	19,223	19,223
Office supplies and postage	4,602	69,876	3,833	102	606	15,350	-	1,761	44,585	140,715
General insurance	5,977	87,946	7,847	-	-	11,803	-	-	333,904	447,477
Depreciation - provider paid	34,910	689,524	8,560	-	332	56,277	154,133	-	51,208	994,944
Depreciation - state paid	10,000	116,487	-	-	-	-	12,020	-	-	138,507
Leases - vehicles and equipment	106	19,128	-	-	-	2,820	50	-	3,106	25,210
Leases - real property	-	72,703	198,464	-	-	115,921	-	-	-	387,088
Real property taxes	-	1,795	-	-	-	8,095	922	-	-	10,812
Capital debt interest	56,399	232,259	-	-	-	11,924	1,571	-	1,109	303,262
Property insurance	1,864	37,442	964	-	-	4,274	767	-	2,575	47,886
Amortization - provider paid	79	26,466	-	-	-	2,165	1,924	-	2,917	33,551
Bond administration fees	-	804	-	-	-	-	-	-	-	804
Bad debts	52,853	18,320	2,616	-	1,307	(2,459)	1,384	-	-	74,021
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
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

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 1,120,293	\$ 1,446,462
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,271,342	1,133,451
Interest on deferred mortgage charges	23,930	33,551
Amortization of bond premium	(2,467)	(2,467)
(Gain) loss on disposal of plant, property and equipment	(4,400)	(179,193)
Credit loss provision	172,137	74,021
Amortization of right-of-use asset	904	1,208
(Increase) Decrease in assets:		
Receivables		
Program	758,970	(1,267,010)
Other	(9,423)	1,106
Prepaid expenses	(15,176)	(6,711)
Deposits	(9,220)	(1,110)
Burial funds	(1,885)	1,484
Increase (Decrease) in liabilities:		
Accounts payable	(127,031)	39,115
Accrued expenses	(335,155)	444,258
Deferred revenue	385	413,125
Net Cash Provided By Operating Activities	2,843,204	2,131,290
Cash Flows From Investing Activities		
Expenditures for plant, property and equipment	(1,876,176)	(1,789,736)
Proceeds from sale of plant, property and equipment	4,400	252,563
Purchase of certificates of deposit	(250,651)	-
Increase (decrease) in beneficial interest in assets held by others	(7,419)	7,435
Increase (decrease) in cash and investments-Debt Service Fund	(446)	43,367
Investment in HVSP	44,667	-
Net Cash Used By Investing Activities	(2,085,625)	(1,486,371)
Cash Flows From Financing Activities		
Repayment of long-term debt	(953,321)	(833,260)
Proceeds from long-term debt	-	363,127
Net increase (decrease) in due to NYS OPWDD	126,068	(114,581)
Net Cash Used By Financing Activities	(827,253)	(584,714)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(69,674)	60,205
Cash, Cash Equivalents and Restricted Cash, January 1	7,604,527	7,544,322
Cash, Cash Equivalents and Restricted Cash, December 31	\$ 7,534,853	\$ 7,604,527
Reconciliation of Cash Balances Included in the Statement of Cash Flows with Those in the Statement of Financial Position		
Unrestricted Cash	\$ 7,484,853	\$ 7,554,527
Restricted Cash	50,000	50,000
Total Cash, Cash Equivalents and Restricted Cash	\$ 7,534,853	\$ 7,604,527
Supplemental Information		
Interest paid	\$ 266,032	\$ 303,262
Supplemental Information		
Plant, property, and equipment acquired with debt financing	\$ 317,306	\$ 283,325

See accompanying notes to financial statements.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

Adoption of new accounting standard - Credit Losses

On January 1, 2023, the Agency adopted 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. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Agency that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Agency has elected the optional transition method and adopted the new guidance on a prospective basis with no restatement of prior periods presented. The adoption of the ASU did not have a material impact on the Agency’s financial statements (see Note 2).

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 \$55,823 and \$14,683 for 2023 and 2022, 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 2023 and 2022, 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.

Accounts receivable and allowance for credit losses

Accounts receivable are customer obligations due under normal trade terms. The Agency performs continuing credit evaluation of customers’ financial condition and generally does not require collateral. At each statement of financial position date, the Agency recognizes an expected allowance for credit losses. The allowance for credit losses is updated at each statement of financial position date to reflect any changes in credit risk since the receivable is initially recorded. The allowance for credit losses is calculated on a pooled basis where similar characteristics exist.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Accounts receivable and allowance for credit losses

The allowance for credit losses is derived from a review of the Agency's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Agency. The Agency believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Agency's customers have remained constant since the Agency's inception. However, due to consumers' economic factors, rep payee consideration and inflation, among other economic indicators, the Agency is anticipating higher than expected losses than have been incurred in the past. As a result, management has determined that its allowance for credit losses should be adjusted across all aging categories. (See Note 2).

The Agency writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. Write-offs during the years ended December 31, 2023 and 2022, were \$20,414 and \$74,021, respectively.

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.

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 Note 14).

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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.

Certificates of Deposit

Certificates of deposit are reflected at fair market value. Any change in fair market value is recorded and shown as an unrealized gain or loss on investments in the statements of activities.

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.

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, 2023 AND 2022

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended December 31, 2023, the Agency's management determined that \$239,246 that was included in the Residents' Funds line in the previously issued 2022 statement of financial position as both an asset and a liability, was not necessary as the Agency does not act as a custodian of those funds and therefore, that amount has been removed in the accompanying 2022 statement of financial position. There was no effect on changes in net assets or total net assets as a result of this reclassification. (See Note 7).

Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the Statements of Activities and Statements 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 available two lines-of-credit totaling \$1,500,000. (See Note 8).

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,534,853	\$ 7,604,527
Certificates of deposit	250,651	-
Program accounts receivable, net of credit losses	2,561,502	3,492,609
Other accounts receivable, net	55,380	45,957
Less, net assets with donor restrictions (see Note 14)	<u>205,312</u>	<u>136,588</u>
Total Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 10,197,074</u>	<u>\$ 11,006,505</u>

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. RECEIVABLES

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

	<u>2023</u>	<u>2022</u>
Medicaid	\$ 2,589,146	\$ 2,243,608
New York State OPWDD	81,234	1,199,419
Participant fees	<u>42,845</u>	<u>49,582</u>
Total Program Receivables	2,713,225	3,492,609
Adjustment for credit losses	<u>151,723</u>	<u>-</u>
Net Program Receivables	<u>\$ 2,561,502</u>	<u>\$ 3,492,609</u>
Other	<u>\$ 55,380</u>	<u>\$ 45,957</u>

The following represents by portfolio segment, the changes in the allowance for credit losses for the year ended December 31, 2023:

Beginning balance	\$ -
Provision for expected credit losses	172,137
Write-offs	(20,414)
Recoveries	<u>-</u>
Allowance for credit losses	<u>\$ 151,723</u>

The following presents an aging analysis of accounts receivable for consumer rents which are included in Medicaid accounts receivable noted above at December 31, 2023:

Accounts receivable aging analysis	<u>Cost Basis</u>	<u>Credit Loss Rate</u>	<u>Expected Credit</u>
Status of Medicaid and CSC			
Current - 30 Days - ICF/DH/At-Home Reshab	\$ 485,388	0.00%	\$ -
Current - 30 Days	1,928,840	5.00%	96,441
31-60 Days ICF/DH	38,246	5.00%	1,912
31-60 Days	27,612	10.00%	2,761
61-90 Days - ICF/DH	38,572	10.00%	3,857
61-90 Days	18,514	20.00%	3,702
More than 90 days past due - ICF/DH	42,595	50.00%	21,298
More than 90 days past due	<u>9,379</u>	<u>50.00%</u>	<u>4,690</u>
Total accounts receivable aging pooled	<u>\$ 2,589,146</u>		<u>\$ 134,661</u>

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. RECEIVABLES

The following presents an aging analysis of accounts receivable for consumer rents which are included in resident fees accounts receivable noted above at December 31, 2023:

Accounts receivable aging analysis	<u>Cost Basis</u>	<u>Credit Loss Rate</u>	<u>Expected Credit</u>
Status of Resident fees			
Current - 30 Days	\$ 16,433	5.00%	\$ 822
31-60 Days	13,392	10.00%	1,339
61-90 Days	4,555	45.00%	2,050
More than 90 days past due	25,702	50.00%	12,851
Credit adjustments	(17,237)	0.00%	-
Total accounts receivable aging pooled	<u>\$ 42,845</u>		<u>\$ 17,062</u>

3. PLANT, PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 25,059,058	\$ 23,768,281
Land and improvements	4,445,590	4,357,441
Furniture and equipment	1,109,004	1,478,670
Vehicles	3,065,936	2,576,277
Deferred assets	78,705	110,956
Construction in progress	444,604	764,242
Plant, Property and Equipment	<u>34,202,897</u>	<u>33,055,867</u>
Less accumulated depreciation	18,226,135	18,001,245
Plant, Property and Equipment - net	<u>\$ 15,976,762</u>	<u>\$ 15,054,622</u>

Depreciation expense for the years ended December 31, 2023 and 2022, was \$1,271,342 and \$1,133,451, respectively.

Construction in progress at December 31, 2023 is related to modifications of the Dwight Road and Clinton, N.Y. locations, and various other small projects, which are expected to be completed in 2024.

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.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2023</u>	<u>2022</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, 2023).	\$ 293,624	\$ 303,624
Notes payable - KeyBank, secured by mortgage on Overlook Residence, interest at 6.77%, payable in monthly payments of \$1,443, maturing August 1, 2038.	95,404	166,451
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 matured April 2023.	-	42,482
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, matured December 2023.	-	42,539
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, matured May 2023.	-	37,511
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.	2,612	33,942
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, matured February 2023.	-	12,386
Note payable - Rhinebeck Savings Bank, secured by mortgage on Thornwood Drive residence, Poughkeepsie, interest at 7.00%, payable in monthly payments of \$6,124, matured March 2023.	-	24,094

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2023</u>	<u>2022</u>
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.	\$ 10,055	\$ 50,276
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.	68,239	111,338
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.	237,305	286,226
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.	310,048	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.	219,806	260,860
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.	327,429	373,832
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.	36,640	44,511
Various notes payable - Toyota Financial Services, secured by vehicles purchased, interest ranging from 0% - 11.23%, payable in monthly payments ranging from \$706 - \$1,278, with maturities from May 2024 - October 2028.	177,118	107,639

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2023</u>	<u>2022</u>
Note payable - M&T Bank, secured by generator, interest at 4.33%, payable in monthly payments of \$1,659, maturing on March 2027.	\$ 60,182	\$ 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.	354,239	362,104
Notes payable - KeyBank secured by mortgage on multiple IRA locations, interest at 5.85%, payable in monthly payments of \$1,046, maturing June 2032.	486,622	529,523
Note payable - KeyBank, secured by mortgage on Dwight Street residence, Poughkeepsie, interest at prime plus 2% (10.5% at December 31, 2023), payable in monthly payments of \$3,177, maturing May 2032.	291,624	314,820
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.	163,448	169,531
Note payable - KeyBank, secured by mortgage on Cream Street residence, interest at prime plus 2% (10.5% at December 31, 2023), payable in monthly payments of \$816, maturing May 2032.	151,411	163,453
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.	326,051	344,756
Note payable - KeyBank, secured by all of the Agency's assets, interest at 5.95%, payable in monthly payments of \$2,089, maturing October 2024.	20,303	43,391

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

	<u>2023</u>	<u>2022</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.	\$ 120,676	\$ 186,946
Various notes payable - Friendly Honda, secured by vehicles purchased, interest ranging from 3.90%-6.90% for each, payable in monthly payments ranging from \$1,136-\$1,182 each, all with a maturity ranging from August - November 2027.	193,728	-
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, 2023.	<u>777,365</u>	<u>935,804</u>
Total Long-Term Debt	4,723,929	5,362,411
Less Current installments	619,700	735,075
Less Unamortized Deferred Mortgage Costs	<u>64,220</u>	<u>88,150</u>
Long-Term Debt, net of current installments	<u><u>\$ 4,040,009</u></u>	<u><u>\$ 4,539,186</u></u>

Interest expense for the years ended December 31, 2023 and 2022, was \$289,962 and \$336,814, respectively, which includes amortization expense of \$23,930 and \$33,551, respectively, which is related to deferred mortgage costs.

Long-term debt, (excluding \$(1,376) of unamortized discounts on bonds payable, and \$295,000 of bonds payable), is payable as follows:

2024	\$ 619,700
2025	517,414
2026	464,714
2027	455,198
2028	355,234
Thereafter	<u>2,018,045</u>
Total Long-Term Debt	<u><u>\$ 4,430,305</u></u>

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

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 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, 2023.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

5. LONG-TERM DEBT

Notes, Mortgages, and Bonds Payable

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>
2024	\$ 10,000	3.45%
2025	10,000	3.45%
2026	10,000	3.45%
2027	10,000	3.45%
2028	10,000	3.45%
Thereafter	<u>245,000</u>	3.45%
	<u>\$ 295,000</u>	

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, 2023 and 2022. These amounts are included in the unamortized deferred mortgage costs disclosed on page 17.

6. DUE NYS OPWDD

	<u>2023</u>	<u>2022</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.	\$ 14,124	\$ 12,809
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
Amounts due to the New York State (NYS) Office for People with Developmental Disabilities (OPWDD) relating to a retroactive rate adjustment for 2023, amounts are being recouped weekly from Medicaid receipts.	<u>158,391</u>	<u>-</u>
	172,515	46,447
Less Current installments	<u>172,515</u>	<u>46,447</u>
Due NYS OPWDD, net of current installments	<u>\$ -</u>	<u>\$ -</u>

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

7. RESIDENTS' FUNDS

The Agency has signature authority over residents' funds. These funds are used for authorized and allowable purchases of residents' personal needs. As the Agency does not act as custodian of the residents' funds, those funds are not included in the accompanying financial statements.

8. LINES-OF-CREDIT

The Agency has available an unsecured line-of-credit of \$1,000,000 at KeyBank of New York. Interest is at prime plus 2% (10.5% as of December 31, 2023). There were no outstanding balances as of December 31, 2023 and 2022.

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, 2023, both of the covenants were met.

The Agency also has 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, 2023, totaled \$100,701. The interest rate is determined at the time the Agency draws on the line-of-credit. As of December 31, 2023 and 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, 2023 and 2022, the Agency did not receive any donated supplies or property and equipment, but did receive \$29,634 and \$27,600, respectively, of donated software licensing fees. These amounts, when received, 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, at its discretion, 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, 2023 and 2022.

11. 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, 2023 AND 2022

11. 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 \$47,134 and \$67,141 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 was \$46,144 and \$65,934, 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 \$366,651 and \$345,158, for the years ended December 31, 2023 and 2022, respectively.

At December 31, 2023, future payments of operating lease liabilities were as follows:

2024	\$ 42,251
2025	42,989
2026	43,742
2027	40,644
2028	40,385
Thereafter	<u>13,454</u>
Total Lease Payments	223,465
Less: Present value discount	<u>30,356</u>
Total Present Value of Lease Liabilities	<u><u>\$ 193,109</u></u>

The right-of-use assets obtained in exchange for new lease liabilities were \$4,823 and \$4,939, respectively, for the years ended December 31, 2023 and 2022.

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>2023</u>	<u>2022</u>
Weighted average remaining lease term (in years)	5.17	6.04
Weighted average discount rate - operating leases	5.73%	5.74%

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 \$7,151,000 as of December 31, 2023.

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, 2023 and 2022, 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. The CBA will expire in October 2024 and therefore, will be up for negotiations.

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). Total premiums paid to AIS for the July 2023-July 2024 and July 2022-July 2023 policy years were \$626,598 and \$474,993, respectively.

14. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023 and 2022, 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, 2023 and 2022, net assets with donor restrictions include donations that become available for use after the expiration of a time or purpose restriction has been met.

	<u>2023</u>	<u>2022</u>
Restrictions for specific purpose:		
Regis Scholarship	\$ 3,850	\$ 3,850
Community Foundation of the Hudson Valley (*)	60,905	53,486
Pleasant Valley (Anderson)	-	5,135
Bruce Anderson (Transfer to Tyrell)	2,710	-
STRBA	34,000	24,000
Thanksgiving fund	64	117
Medicaid Managed Care - HVSP	53,783	-
	<u>155,312</u>	<u>86,588</u>
Restrictions in Perpetuity:		
Gerla Fund (**)	<u>50,000</u>	<u>50,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 205,312</u>	<u>\$ 136,588</u>

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

14. NET ASSETS WITH DONOR RESTRICTIONS

(*) This amount represents the assets of The New Horizons Endowment Fund (the Fund), which is held by the Community Foundation 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, 2023, the Agency was not under review with any governmental funding sources.

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

16. INVESTMENT IN INDEPENDENT PRACTICE ASSOCIATION

As of both December 31, 2023 and 2022, New Horizons Resources, Inc. had a 5.5% interest 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% of HVSP, LLC's December 31, 2023 and 2022 net income. 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.

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

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

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

received for retention, longevity pay and mandated fringe. During the years ended December 31, 2023 and 2022, the Agency received approximately \$323,000 and \$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 statements of activities and as personal services in the accompanying statements of functional expenses.

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. These incentive programs were created by OPWDD during the year ended December 31, 2021. The \$508,000 is recorded in the accompanying 2022 statement of activities as nonprogram revenue and as personal services in the accompanying 2022 statement of functional expenses. The remaining approximate \$409,000 is recorded in deferred revenue in the accompanying 2023 and 2022 statements of financial position until such time as NYS OPWDD notifies the Agency that they will be recouping the amount or allow the Agency to keep the funds, at which point the Agency will recognize the amount as income. There were no similar funds received during the year ended December 31, 2023.

18. RISKS AND UNCERTAINTIES

The Agency invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

19. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Accounting Standards Codification 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The assets or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are described as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

NEW HORIZONS RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

19. FAIR VALUE MEASUREMENTS

- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

- The carrying amount of the Agency's U.S. Treasury Bills and certificates of deposit reported in the statement of financial position approximate fair values because of the short-term maturities of those instruments.

There were no changes in the methods used to determine fair value as of December 31, 2023 and 2022.

The preceding methods may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Agency management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Fair value of assets measured on a recurring basis as of December 31 are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>
<u>December 31, 2023:</u>		
Certificates of deposit	\$ 250,651	\$ 250,651
U.S. Treasury bills	24,693	24,693
Total Investments at Fair Value	<u>\$ 275,344</u>	<u>\$ 275,344</u>
	<u>Fair Value</u>	<u>(Level 1)</u>
<u>December 31, 2022:</u>		
Certificates of deposit	\$ -	\$ -
U.S. Treasury bills	24,247	24,247
Total Investments at Fair Value	<u>\$ 24,247</u>	<u>\$ 24,247</u>

20. SUBSEQUENT EVENTS

In January 2024, the Agency entered into a promissory note with KeyBank for approximately \$356,000. Principal and interest payments of \$3,866 are due monthly beginning March 1, 2024. Interest is at 9.5% per annum and the note matures on February 1, 2037.

The Agency's management has evaluated events subsequent to the statement of financial position date of December 31, 2023 through April 18, 2024, which is the date these financial statements were available to be issued, and have determined that there are no additional 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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	PROGRAM						SUPPORT		2023 Total	2022 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	\$ 1,895,588	\$ 23,796,960	\$ 700,395	\$ 29,190	\$ 86,136	\$ 2,608,311	\$ -	\$ -	\$ -	\$ 29,116,580	27,877,463
Participant fees	109,194	2,723,939	256,197	-	-	-	-	-	-	3,089,330	2,971,252
NYS Developmental Disabilities	-	3,641	-	-	-	-	-	-	-	3,641	269,247
Retroactive income (loss)	3	(12,218)	(3,456)	-	-	(99)	71,593	-	-	55,823	14,683
Total Program Support and Revenue	2,004,785	26,512,322	953,136	29,190	86,136	2,608,212	71,593	-	-	32,265,374	31,132,645
Nonprogram Support and Revenue - without donor restrictions											
Interest/investment income (loss)	-	-	-	-	-	-	197,742	-	-	197,742	26,481
Participant clothing funds	-	41,375	4,750	-	-	-	-	-	-	46,125	45,375
Contributions and fundraising	-	-	-	-	-	-	110,725	52,138	-	162,863	73,608
Donations	-	-	-	-	-	-	83,263	-	-	83,263	75,077
Gain on sale of property, plant, and equipment	216	4,072	112	-	-	-	-	-	-	4,400	179,193
Other income	80,445	1,399,220	19,560	-	3,768	68,858	83,184	-	-	1,655,035	6,479,795
Total Nonprogram Support and Revenue	80,661	1,444,667	24,422	-	3,768	68,858	474,914	52,138	-	2,149,428	6,879,529
Net assets released from restrictions or transferred	3,766	1,660	-	-	-	-	3,892	-	-	9,318	4,776
Total Support and Revenue - without donor restrictions	2,089,212	27,958,649	977,558	29,190	89,904	2,677,070	550,399	52,138	-	34,424,120	38,016,950
Program Support and Revenue - with donor restrictions											
Donations	3,000	-	-	-	-	-	10,481	-	-	13,481	14,135
Interest/investment income (loss)	-	-	-	-	-	-	64,561	-	-	64,561	(7,435)
Total Program Support and Revenue - with donor restrictions	3,000	-	-	-	-	-	75,042	-	-	78,042	6,700
Total Program and Nonprogram Support and Revenue - with and without donor restrictions	2,092,212	27,958,649	977,558	29,190	89,904	2,677,070	625,441	52,138	-	34,502,162	38,023,650
Total Functional Expenses	2,536,225	27,716,071	1,037,193	27,971	79,605	1,832,281	116,613	26,592	-	33,372,551	36,572,412
Excess(Deficiency) of Support and Revenue over Expenses - 2023	\$ (444,013)	\$ 242,578	\$ (59,635)	\$ 1,219	\$ 10,299	\$ 844,789	\$ 508,828	\$ 25,546	\$ -	\$ 1,129,611	\$ 1,451,238
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	