

NEW HORIZONS, INC.  
 NOTE TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 1996  
 (Continued)

6. **Mortgage Payable**

On January 1, 1996, New Horizons, Inc. purchased the property currently being used for their administrative offices for \$225,000. Terms of the sale were a \$50,000 cash payment with the balance of the purchase price, \$175,000, to be financed by the property's seller, Hibernia Wholesale, Inc. at 9% interest in 7% monthly installments of \$1,300. Aggregate principal payment requirements are as follows as of September 30, 1996:

Balance at September 30, 1996	\$ 58,543.00
Less: Current portion	(23,723.00)
Long term debt less current portion	34,820.00

Debt Maturities for the next five years are as follows:

1997	9,792.16
1998	10,711.17
1999	11,735.86
2000	12,824.98
2001	14,827.12

Interest expense was \$4,343 for the year ended September 30, 1996.

7. **Cash and Cash Equivalents**

Cash and cash equivalents include cash in operating bank accounts and certificates of deposit with 7-day maturities.

The organization maintains five accounts at the Hibernia National Bank and one checking account at Regions Bank. Balances at September 30, 1996 are listed below:

<u>Hibernia National Bank</u>	\$ 31,792
<u>Regions Bank</u>	2,402
<b>Total Cash</b>	<u>\$ 34,194</u>

All funds are insured up to \$100,000 by the FDIC.

**BOST KESKSEK**

4. **Conditions:** We noted that rent expense was incorrectly paid for the Shreveport facility for January 1996. New Horizons, Inc. purchased their administrative office building on January 1, 1996.

**Recommendations:** We recommend that New Horizons, Inc. obtain a refund for the rent expense overpayment.

**Response:** New Horizons will request the mortgage holder to refund the rent paid for January 1996. An attorney has been asked to prepare the necessary documents to secure this refund by April 1997.

This report is intended for the information of the board of directors, management and all applicable state and federal agencies. However, this report is a matter of public record, and its distribution is not limited.



Certified Public Accountants  
January 23, 1997

#### **PURCHASE ORDERS (Continued)**

3. **Response:** Purchase orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

#### **EMPLOYEE TIME SHEETS**

3. **Condition:** We noted one employee's time sheet did not correspond with the hours paid. There was a four hour difference between the time sheet and the payroll register.

**Recommendation:** We recommend that New Horizons, Inc. follow their existing procedures to ensure that time sheets are accurately entered into the payroll system.

**Response:** Time sheets will be reviewed more carefully to ensure all reported time is correctly identified.

#### **INVOICE APPROVAL**

4. **Condition:** We noted three instances of invoices that were not approved prior to payment.

**Recommendation:** We recommend that New Horizons follow existing procedures to ensure that all invoices are properly approved prior to payment.

**Response:** Purchase Orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

#### **FEDERAL INFORMATIONAL TAX RETURNS**

5. **Condition:** We noted that New Horizons, Inc. did not file their Federal Informational Tax Return - Form 990 by the required deadline for fiscal year ending September 30, 1995.

**Recommendation:** We recommend that New Horizons, Inc. establish procedures to ensure that the Form 990 is completed by the deadline.

**Response:** Each year henceforth, the auditors will be asked to complete the Federal Informational Tax Return - Form 990 for the fiscal year.

Number of Items in Population	Number of Items in Sample	Number of Items Not in Compliance	Dollar Amount of Population	Dollar Amount of Items in Sample	Dollar Amount of Items Not in Compliance	Amount of Misstatement —Dollars—
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1. **DEBT SERVICE RATIO - Annual All Accounts Receivable Turnover**

**Recommendation:**

We recommend that New Horizons, Inc. continue to request to ensure that all returns from the Debt Service Center, Inc., be appropriately accepted for inclusion in the Harvard, Inc.'s financial statements.

**Response:**

A procedure has been developed to insure proper tracking and documentation for all returns to the Debt Service Center.

\* Other than noted herein, no misstatements are reported.

We considered these material instances of noncompliance in forming our opinion on whether New Horizons, Inc.'s September 30, 1996, financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated January 23, 1997, on those financial statements.

Although not material to the financial statements, we noted the following instances of noncompliance with laws and regulations:

**EMPLOYEE FILE DOCUMENTATION**

1. **Conditions:** We noted two employees' rates of pay were not documented.

**Recommendation:** We recommend that New Horizons, Inc. follow existing procedures to document employee pay rates.

**Response:** We have copied all employee pay records in the financial records and put a copy in the personnel file. In the future, care will be taken to place a copy in the personnel file.

**PURCHASE ORDERS**

2. **Conditions:** We noted seven instances of disbursements exceeding \$50 that did not have supporting purchase orders.

**Recommendation:** We recommend that New Horizons, Inc. follow existing procedures to ensure that purchase orders are completed for purchases exceeding \$50.

Number of Items to Be Audited	Number of Items to Be Audited	Number of Items Not to Be Audited	Number of Items to Be Audited	Total Number of Items to Be Audited	Total Number of Items to Be Audited	Amount of Items to Be Audited
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**2. BEST ACTION CENTER - DISBURSEMENTS - DISBURSEMENTS**

**Opinion**

The disbursements and related matters discussed below were not reviewed in accordance with the standards set forth for this purpose.

**Findings**

Expenditures that were incurred could potentially be classified as grant expenditures. Also, 501(c)(3) reporting services were distributed with incomplete information.

**Recommendations**

We recommend that the directors, including their auditing policies, that ensure disbursements are properly approved and supported and that they are clearly recorded in the financial statements.

**Response**

All supporting documentation for the best action center's disbursements has been reviewed. All best action center's disbursements will be processed in accordance with the center's policies.

**3. BEST ACTION CENTER - REVENUE AND RECEIPTS - RECEIPTS**

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**Condition**

We noted that the directors, Inc. did not accurately and completely record revenue from the best action center, Inc.'s, reporting services in the current fiscal period.

**Evidence**

Financially accurate records of principal agency's recording revenue in the appropriate fiscal period.

**Impact**

The directors, Inc. did not receive complete information for independent services to prepare financials for the funding sources.

**Effect**

The Best Action Center, Inc.'s revenue was not accurately reflected in the financial statements.

<sup>1</sup> Effect is either minimal, not measurable or not applicable.

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NEW HORIZONS, INC.  
Shreveport, Louisiana

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORTS**

For the year ended September 30, 1996

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

Release Date SEP 16 1997

NEW HORIZONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 1994

1. Summary of Significant Accounting Policies

New Horizons, Inc. is a private nonprofit organization incorporated under the laws of the State of Louisiana. New Horizons, Inc. is governed by a Board of Directors composed of eleven members.

New Horizons, Inc. operates a community based center to provide persons with severe disabilities the opportunity to live and function as independently as possible and, when possible, acquire and maintain employment.

A. Basis of Accounting

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

B. Income Taxes

New Horizons, Inc. has received a letter of determination from the Internal Revenue Service advising it that it qualifies as a nonprofit corporation under Section 501 (c) (3) of the Internal Revenue Code, and therefore, is not subject to income taxes.

C. Retirement Obligations

The employees of New Horizons, Inc. are members of the Social Security System. There is no other retirement plan available through New Horizons, Inc.

D. Support

All support is considered to be available and unrestricted unless grant regulations contain legal requirements and restrictions. The restricted grant support for fiscal year ended September 30, 1994, was received from the Louisiana Department of Social Services and U. S. Department of Education.

WYOMING, INC.  
 SALES/POSTAL SERVICE

STATEMENT OF ACTIVITY AND CHANGE IN NET ASSETS  
 For the Fiscal Year Ended September 30, 1998

	Reclassified Net Assets
<b>Change in Restricted Net Assets</b>	
Income of Financial Assistance	\$ 151,091
Income of Licenses - Contracts	241,645
Refundals received	541,648
188-204 fee for Service Contract	26,817
Program Services	8,741
TOTAL ADD ADD	970,942
1998-1999	<u>1,875</u>
<b>Total unrestricted income</b>	<b>972,817</b>
<b>Expenses</b>	
Personnel	584,789
Fringe Benefits	11,487
Consultants	11,256
Printing	50,850
Travel	19,359
Printing	3,411
Telephone Repairs/Maintenance	3,288
Post office	11,274
Post fees	11,280
Postage	3,881
Post- and telecommunications	1,921
Utilities	5,389
Repairs and maintenance	11,736
Rent	16,415
Insurance	4,335
Legal/audit fees	6,555
Postpaid Card Bad debts	11,110
P&M Payroll Taxes	1,156
Interest	1,795
International Services	622
Depreciation	4,744
Special services	2,791
<b>Total Expenses</b>	<b>884,411</b>
<b>Increase in unrestricted Net Assets</b>	<b>88,406</b>
<b>Net Assets - beginning of year</b>	<b>156,400</b>
Effect of reclassified net assets resulting from an accounting change	<u>1,734</u>
<b>Net Assets - end of year</b>	<b><u>246,540</u></b>

The accompanying notes are an integral part of this statement.





MEMBER  
INSTITUTIONAL FIDELITY OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
SOCIETY OF MASSACHUSETTS  
CERTIFIED PUBLIC ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

We have audited the financial statements of New Horizons, Inc. (a nonprofit organization) as of and for the year ended September 30, 1996, and have issued our report thereon dated January 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of New Horizons, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling the responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

**NEW HORIZONS, INC.**  
**NOTE TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1996**  
 (continued)

**3. Furniture and Equipment**

Analysis of the Furniture and equipment recorded in the plant fund as September 30, 1996:

	Purchased with Unrestricted Funds
Automobile	\$ 34,483
Building	127,500
Furniture and Equipment	<u>31,481</u>
<b>Total Assets</b>	<b>293,464</b>
Accumulated Depreciation	<u>33,463</u>
Net investment in property and equipment	<u><b>\$ 260,001</b></u>

**4. Contract Revenue Receivable**

Various funding sources of New Horizons, Inc., provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from these funding sources at September 30, 1996 but not received until after that date for the following programs:

Title VII Part C	\$ 12,306
Title VII Part B	4,867
Marital Independent Living	11,388
Americans With Disabilities Act	18,000
Medicaid Program	42,881
ERS - Personal Care Assistance	8,582
Program Income Billing	2,322
Deaf Action Center	<u>6,562</u>
	<u><b>226,812</b></u>

**5. Economic Dependency**

New Horizons, Inc. is dependent upon funding from Government Agencies through grants and contracts for services. A significant detrimental impact on New Horizons would occur should these governmental agencies be unable or unwilling to continue funding the budgetary needs of, or acquire services from, New Horizons.



MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
SOCIETY OF CHARTERED  
CERTIFIED PUBLIC ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

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

We have audited the financial statements of New Horizons, Inc. (a nonprofit organization) as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated January 23, 1997. We have also audited the compliance of New Horizons with requirements applicable to major federal award programs and have issued our report thereon dated January 23, 1997.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the organization complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audits for the year ended September 30, 1996, we considered the internal control structure of New Horizons, Inc. in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of New Horizons, Inc. and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated January 23, 1997.

**NEW HORIZONS, INC.**  
**NOTE TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1988**  
 (continued)

**8. Lease Obligation**

New Horizons has entered into a lease for telephone equipment. The lease is classified as a capital lease. Accordingly, an asset has been capitalized and has the following book value at September 30, 1988:

Capitalized Cost	\$9,470.00
Accumulated Depreciation	<u>4,235.75</u>
<b>Net Book Value</b>	<b><u>\$5,234.25</u></b>

Total depreciation expense for this equipment for the year ended September 30, 1988 was \$496.75. This depreciation is included in the total depreciation shown in Note 3.

The following is an analysis of the future minimum lease payments:

1989	\$ 1,057.00
1990	1,057.00
1991	1,057.00
2000	1,057.00
2003	708.50
Imputed Interest	<u>(1,812.62)</u>

Present value of  
 lease obligation **\$ 3,322.78**

**9. Operating Lease Commitments**

The Organization has lease agreements for office space in Alexandria, Louisiana and Monroe, Louisiana. The lease agreements for office space in Alexandria is for 36 months commencing June 1, 1984. The Monroe office facility is leased on a month-to-month basis. Total rent expense for the year ended September 30, 1988, was \$18,418.

The remaining annual minimum lease payments under the noncancelable operating lease existing at September 30, 1988 are:

1989	\$ 4,200
1990	4,200
1993	<u>4,725</u>
	<b><u>\$ 13,125</u></b>

**NEW HORIZONS, INC.**  
**NOTE TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1986**  
 (Continued)

**10. Business Combination - Deaf Action Center, Inc.**

On June 30, 1986, the Deaf Action Center, Inc., Central Louisiana ceased operations and on July 1, 1986, merged with New Horizons, Central Louisiana, a satellite center of New Horizons, Inc. This business combination was accounted for as a pooling of interest. The net assets of the Deaf Action Center, Inc. were transferred to New Horizons, Inc. at their book value and neither organization recognized a gain or loss. New Horizons, Inc.'s net assets increased \$7,394 at the effective date of this merger. The accompanying financial statements for the year ended September 30, 1986, reflect this combination from July 1, 1986.

The agreement between New Horizons, Inc. and the Deaf Action Center, Inc. states that at the end of one year from the effective date the former Board members of the Deaf Action Center may terminate their contract and resume operations separate from New Horizons, Inc. All Deaf Action Center, Inc.'s property and net assets at June 30, 1987, would be returned to the Deaf Action Center, Inc. A 5% management fee of all Deaf Action Center's revenue for fiscal year ending June 30, 1987, would be payable to New Horizons, Inc.

**11. Functional Expenses**

Statement of Financial Accounting Standards No. 117 requires functional expenses to be reported. The functional expenses for the fiscal year ended September 30, 1986, are summarized below:

Personal Care Attendant Program	\$ 42,149
Rural Independent Living Program	181,628
Medicaid Program	486,063
Title VII - B	34,928
Title VII - C	123,087
Program Income	18,257
IA Rehabilitation Services -	
PCA Program	19,404
Deaf Action Center, Inc.	9,288
Americans with Disabilities	11,785
Totals	<u>\$ 1,008,614</u>

**DEAF ACTION CENTER - REVENUE AND ACCOUNTS RECEIVABLE (continued)**

**Cause:** New Horizons, Inc. did not receive complete information for interpreting services to prepare invoices to the funding sources.

**Effects:** The Deaf Action Center, Inc.'s revenue was not accurately reflected in the financial statements.

**Recommendation:** we recommend that New Horizons, Inc. establish procedures to ensure that all services from the Deaf Action Center, Inc. is appropriately accounted for in New Horizons, Inc.'s financial statements.

**Response:** A procedure has been developed to insure proper invoicing and reconciliation for all receivables in the Deaf Action Center.

This report is intended for the information of the board of directors, management and all applicable state and federal agencies. However, this report is a matter of public record, and its distribution is not limited.

*Robert Carl & Roberts*

Certified Public Accountants  
January 23, 1997

**DEAF ACTION CENTER - BANK RECONCILIATION (continued)**

1. **Response:** New Horizons has closed the Deaf Action Center's bank account. The July through September 1998 bank statements have been reconciled. All Deaf Action Center's funds are now deposited into New Horizons's operating account which is being timely reconciled.

**DEAF ACTION CENTER - DISBURSEMENTS**

2. **Conditions:** We noted that the Deaf Action Center, Inc. initiated disbursements from the Alexandria satellite office that were not properly supported, approved or recorded in the financial statements of New Horizons, Inc.

**Criteria:** New Horizons, Inc.'s policy is for all disbursements to be properly supported by vendor invoices and purchase orders for goods and services that cost more than \$50 and that all invoices be properly approved and recorded in the financial statements.

**Causes:** The disbursements and related supporting documentation were not forwarded to New Horizons, Inc.'s administrative office for processing.

**Effects:** Expenses that were incurred could potentially be disallowed by grantor agencies. Also, 1099's for interpreting services were distributed with incomplete information.

**Recommendations:** We recommend that New Horizons, Inc. follow their existing policies that ensure disbursements are properly approved and supported and that they are timely recorded in the financial statements.

**Response:** All supporting documentation for the Deaf Action Center's disbursements has been received. All Deaf Action Center's disbursements will be processed in accordance with New Horizons's policies.

**DEAF ACTION CENTER - REVENUE AND ACCOUNTS RECEIVABLE**

3. **Conditions:** We noted that New Horizons, Inc. did not accurately and completely record revenue from the Deaf Action Centers, Inc.'s, interpreting services in the correct fiscal period.

**Criteria:** Generally accepted accounting principles require recording revenue in the appropriate fiscal period.

**RENT EXPENSE (continued)**

4. **Recommendation:** We recommend that New Horizons, Inc. obtain a refund for the rent expense overpayment.

**Response:** New Horizons will request the mortgage holder to refund the rent paid for January 1996. An attorney has been asked to prepare the necessary documents to secure this refund by April 1997.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of New Horizons, Inc. for the year ended September 30, 1996.

**DEAF ACTION CENTER - BANK RECONCILIATION**

1. **Condition:** We noted that New Horizons, Inc. did not reconcile the Deaf Action Center, Inc.'s Bank statements to the general ledger from July through September, 1996.

**Criteria:** New Horizons, Inc.'s policy is to timely reconcile all bank accounts to the general ledger.

**Cause:** The Deaf Action Center's Bank statements were not forwarded to New Horizons, Inc. as required by the agreement between New Horizons, Inc. and the Deaf Action Center.

**Effect:** The Deaf Action Center initiated disbursements that were not recorded in the general ledger. Funds could also be misappropriated without being detected.

**Recommendation:** We recommend that New Horizons establish procedures to ensure that bank statements from all accounts are timely reconciled.



**PURCHASE ORDERS (continued)**

3. **Response:** Purchase Orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

**EMPLOYEE TIME SHEETS**

3. **Condition:** We noted one employee's time sheet did not correspond with the hours paid. There was a four hour difference between the time sheet and the payroll register.

**Recommendation:** We recommend that New Horizons, Inc. follow their existing procedures to ensure that time sheets are accurately entered into the payroll system.

**Response:** Time sheets will be reviewed more carefully to ensure all reported time is correctly identified.

**INVOICE APPROVAL**

4. **Condition:** We noted three instances of invoices that were not approved prior to payment.

**Recommendation:** We recommend that New Horizons follow existing procedures to ensure that all invoices are properly approved prior to payment.

**Response:** Purchase Orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

**FEDERAL INFORMATIONAL TAX RETURN**

5. **Condition:** We noted that New Horizons, Inc. did not file their Federal Informational Tax Return - Form 990 by the required deadline for fiscal year ending September 30, 1995.

**Recommendation:** We recommend that New Horizons, Inc. establish procedures to ensure that the Form 990 is completed by the deadline.

**Response:** Each year henceforth, the auditors will be asked to complete the Federal Informational Tax Return - Form 990 for the fiscal year.

**RENT EXPENSE**

6. **Condition:** We noted that rent expense was incorrectly paid for the Shreveport facility for January 1996. New Horizons, Inc. purchased their administrative office building on January 1, 1996.

In planning and performing our audit of the financial statements of New Horizons, Inc. for the year ended September 30, 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The following management suggestion made for year ended September 30, 1995 have been implemented:

We noted that procedures are in effect to assure that the Executive Director's expenses are properly approved.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial statements.

The reportable conditions are:

#### **EMPLOYEE FILE DOCUMENTATION**

1. **Condition:** We noted two employees' rates of pay were not documented.

**Recommendation:** We recommend that New Horizons, Inc. follow existing procedures to document employee pay rates.

**Response:** We have copied all employee pay records in the financial records and put a copy in the personnel file. In the future, care will be taken to place a copy in the personnel file.

#### **PURCHASE ORDERS**

2. **Condition:** We noted seven instances of disbursements exceeding \$50 that did not have supporting purchase orders.

**Recommendation:** We recommend that New Horizons, Inc. follow existing procedures to ensure that purchase orders are completed for purchases exceeding \$50.

NEW HORIZONS, INC.  
NOTE TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 1996  
(continued)

1. Summary of Significant Accounting Policies (continued)

a. Functional Allocation of Expenses

Salaries and related expenses are allocated to the various programs based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on space utilization.

2. Change in Accounting Principles

In 1996, the New Horizons, Inc. adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS 117, the New Horizons, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements have been reclassified to present the three classes of net assets required. This reclassification had no effect on the change in net assets for 1995.

3. Furniture and Equipment

Donated assets are valued at the fair market value at the time of donation. All other fixed assets are stated at cost. Depreciation is provided on a straight-line basis over estimated useful lives of the assets. Depreciation expense for the period under audit is \$8,728. The federal and state government has a reversionary interest in fixed assets purchased with these funds. The disposition as well as the ownership of any proceeds therefrom is subject to federal and state regulations.

**NEW MARIANO, INC.**  
**Management, Louisiana**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 1988**

	<u>Cash</u>
	<u>and cash equivalents</u>
	<u>At 9/30/88</u>
<b>Cash flows from operating activities:</b>	
Increase in unrestricted net assets	1,000,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
<b>Depreciation included in increase in unrestricted net assets</b>	9,000
Depreciation and amortization	1,000
Cancellation of an accounting change	
<b>Changes in working capital:</b>	
Current assets	
Decrease in accounts receivable	(20,000)
Increase in prepaid insurance	(2,000)
Current liabilities	
Increase in accounts payable	2,000
Increase payable taxes payable	4,000
Decrease in accrued interest payable	500
Decrease in advances from creditors	(20,000)
Net cash flow from operating activities	<u>963,500</u>
<b>Cash flows from Investing Activities:</b>	
Purchase of property and equipment	(200,000)
Net cash flow from investing activities	<u>(200,000)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from notes and mortgages	70,000
Principal payments on notes and mortgages	(20,000)
Net cash flow from financing activities	<u>50,000</u>
<b>Net increase in cash and cash equivalents</b>	
Cash and cash equivalents at beginning of period	<u>41,500</u>
Cash and cash equivalents at end of period	<u>1,135,000</u>
Supplemental disclosure of cash flow information:	
Cash paid for income tax	<u>1,000</u>

The accompanying notes are an integral part of this statement.

This report is intended for the information of the board of directors, management and all applicable state and federal agencies. However, this report is a matter of public record, and its distribution is not limited.

*Robert David & Roberts*

Certified Public Accountants  
January 23, 1997



MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
SOCIETY OF COLLEGIATE  
CERTIFIED PUBLIC ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAMS

Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

We have audited the financial statements of New Horizons, Inc. (a nonprofit organization) as of and for the year ended September 30, 1986, and have issued our report thereon dated January 23, 1987.

In connection with our audit of the financial statements of New Horizons, Inc. and with our consideration of New Horizons, Inc.'s internal control structure used to administer federal award programs, as required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal award programs for the year ended September 30, 1986.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the applicable requirements governing types of services allowed or unallowed; eligibility; matching level of effort or earmarking; reporting; special terms and provisions; claims for advances and reimbursements; federal financial reports and claims for advances and reimbursement and allowable cost/credits principles that are applicable to the nonmajor federal award program, which is identified in the accompanying Schedule of Federal Awards, for the year ended September 30, 1986. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on New Horizons, Inc.'s compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to items tested, the results of our procedures disclosed no material instances with noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that New Horizons, Inc. had not complied, in all material respects, with those requirements.

In our opinion, New Business, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to its major federal award program for the year ended September 30, 1984.

This report is intended for the information of the board of directors, management and all applicable state and federal agencies. However, this report is a matter of public record, and its distribution is not limited.

*Robert Louis & Helene*

Certified Public Accountants  
January 23, 1987



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## DAUZAT, BEALL & DEBEVEC, CPAs

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

We have audited the financial statements of New Horizons, Inc. (a nonprofit organization) as of and for the year ended September 30, 1988, and have issued our report thereon dated January 23, 1989.

We have also audited the compliance of New Horizons, Inc. with the applicable requirements governing types of services allowed or unallowed; eligibility; matching level of effort or earmarking; reporting; special tests and provisions; claims for advances and reimbursements; federal financial reports and claims for advances and reimbursement and allowable costs/costs principles that are applicable to its major federal award program, which is identified in the accompanying Schedule of Federal Awards, for the year ended September 30, 1988. The management of New Horizons, Inc. is responsible for the Organization's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about New Horizons, Inc. compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.



**INVOICE APPROVAL (continued)**

**Explanation:** Purchase Orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

**FEDERAL INFORMATIONAL TAX RETURN**

5. **Conditions:** We noted that New Horizons, Inc. did not file their Federal Informational Tax Return - Form 990 by the required deadline for fiscal year ending September 30, 1986.

**Recommendation:** We recommend that New Horizons, Inc. establish procedures to ensure that the Form 990 is completed by the deadline.

**Response:** Each year henceforth, the auditors will be asked to complete the Federal Informational Tax Return - Form 990 for the fiscal year.

**RENT EXPENSE**

6. **Conditions:** We noted that rent expense was incorrectly paid for the Shreveport facility for January 1986. New Horizons, Inc. purchased their administrative office building on January 1, 1986.

6. **Recommendation:** We recommend that New Horizons, Inc. obtain a refund for the rent expense overpayment.

**Response:** New Horizons will request the mortgage holder to refund the rent paid for January 1986. An attorney has been asked to prepare the necessary documents to secure this refund by April 1987.

This report is intended for the information of the board of directors, management and all applicable state and federal agencies. However, this report is a matter of public record, and its distribution is not limited.



Certified Public Accountants  
January 23, 1987

ROY WILSON, INC.  
 Montgomery, Alabama

BALANCE SHEET  
 September 30, 1988

	Amount in U.S. Dollars
<b>ASSETS</b>	
Current Assets:	
Cash in BANK & on hand	\$ 56,194
DEPOSITS - Various Receipts	188,434
Accounts Receivable - Other	1,100
Prepaid Insurance	7,737
Total current assets	<u>353,465</u>
Property and Equipment:	
Buildings	127,000
Furniture and equipment	71,000
Accumulated Depreciation	<u>(11,000)</u>
Total Property and Equipment	<u>187,000</u>
Total Assets	<u>\$ 540,465</u>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities:	
Accounts payable	\$ 4,000
Accrued interest payable	147
Payroll taxes payable	4,990
Current portion of long-term payable	8,100
Total current liabilities	<u>17,237</u>
Long Term Liabilities:	
Mid-term payable, less current portion	90,000
Lease payable - Equipment lease	<u>(3,000)</u>
Total long term liabilities	<u>87,000</u>
Total Liabilities	<u>104,237</u>
NET ASSETS	
Investment Net Assets	
Real estate interest, and securities	7,000
Total Investment Net Assets	<u>7,000</u>
Total Net Assets	<u>398,228</u>
Total Liabilities and Net Assets	<u>\$ 540,465</u>

The accompanying notes are an integral part of this statement.

In accordance with government Auditing Standards, we have also issued a report dated January 23, 1987, on our consideration of New Horizons, Inc.'s internal control structure and a report dated January 23, 1987, on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*David Paul & Debra*

Certified Public Accountants  
January 23, 1987



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### INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL AWARDS

Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

We have audited the financial statements of New Horizons, Inc. (a nonprofit organization) for the year ended September 30, 1998, and have issued our report thereon dated February 23, 1999. These financial statements are the responsibility of the New Horizons management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of New Horizons, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants  
January 23, 1999

HEW SERVICES, INC.  
Shreveport, Louisiana

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NEW HAVEN, INC.  
 200 Corporate Center  
 New Haven, Connecticut

SCHEDULE OF GRANTS AWARDED  
 For the Year Ended September 30, 1990

FEDERAL AGENCY FUND THROUGH GRANTOR PROGRAM TITLE	1990 BUDGET	Agency or Fund Through Grantor	Federal Disbursement EXPENSES
<b>United States Department of Education          Direct Assistance</b>			
Rehabilitation Act of 1973, Centers for Independent Living Title VII Part C	\$4,120	n/a	\$10,700 *
<b>Funded Through Executive Department          of Social Services</b>			
National Rehabilitation Services Title VII Part B	\$4,500	unknown	22,500
Total United States Department of Education			33,200
<b>United States Department of Justice Passed Through          the Institute for Rehabilitation and Research</b>			
Services with Disabilities Act	\$4,120	unknown	21,000
Total United States Department of Justice Passed Through the Institute for Rehabilitation and Research			21,000
<b>Total</b>			<b>\$55,200</b>

\*Major Federal Award Program

#### EMPLOYEE FILE DOCUMENTATION

1. Conditions: We noted two employees' rates of pay were not documented.

Recommendation: We recommend that New Horizons, Inc. follow existing procedures to document employee pay rates.

Response: We have copied all employee pay records in the financial records and put a copy in the personnel file. In the future, care will be taken to place a copy in the personnel file.

#### PURCHASE ORDERS

2. Conditions: We noted seven instances of disbursements exceeding \$50 that did not have supporting purchase orders.

Recommendation: We recommend that New Horizons, Inc. follow existing procedures to ensure that purchase orders are completed for purchases exceeding \$50.

2. Response: Purchase Orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

#### EMPLOYEE TIME SHEETS

3. Conditions: We noted one employee's time sheet did not correspond with the hours paid. There was a four hour difference between the time sheet and the payroll register.

Recommendation: We recommend that New Horizons, Inc. follow their existing procedures to ensure that time sheets are accurately entered into the payroll system.

Response: Time sheets will be reviewed more carefully to ensure all reported time is correctly identified.

#### INVOICE APPROVAL

4. Conditions: We noted three instances of invoices that were not approved prior to payment.

Recommendation: We recommend that New Horizons follow existing procedures to ensure that all invoices are properly approved prior to payment.



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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARDED PROGRAMS

Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

We have audited the financial statements of New Horizons, Inc. (a nonprofit organization), as of and for the year ended September 30, 1998, and have issued our report thereon dated January 23, 1997.

We have applied procedures to test the compliance of New Horizons, Inc.'s with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended September 30, 1998: political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, drug free work place act and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Recipients of Appropriations of Higher Learning and Other Non-Profit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on New Horizons, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that New Horizons, Inc. had not complied, in all material respects, with those requirements. Also, the results of our procedures disclosed the following immaterial instances of noncompliance with those requirements.



NEXT REPORT (continued)

6. **Recommendation:** We recommend that New Horizons, Inc. obtain a refund for the rent expense overpayment.

**Response:** New Horizons will request the mortgage holder to refund the rent paid for January 1984. An attorney has been asked to prepare the necessary documents to secure this refund by April 1987.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to federal award programs may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the board of directors, management and all applicable state and federal agencies. However, this report is a matter of public record, and its distribution is not limited.

  
Certified Public Accountants  
January 23, 1987

#### **PURCHASE ORDERS (continued)**

2. **Response:** Purchase Orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

#### **EMPLOYEE TIME SHEETS**

3. **Condition:** We noted one employee's time sheet did not correspond with the hours paid. There was a four hour difference between the time sheet and the payroll register.

**Recommendation:** We recommend that New Horizons, Inc. follow their existing procedures to ensure that time sheets are accurately entered into the payroll system.

**Response:** Time sheets will be reviewed more carefully to ensure all reported time is correctly identified.

#### **INVOICE APPROVAL**

4. **Condition:** We noted three instances of invoices that were not approved prior to payment.

**Recommendation:** We recommend that New Horizons follow existing procedures to ensure that all invoices are properly approved prior to payment.

**Response:** Purchase Orders will not be issued without an approved requisition. Invoices will not be paid without an appropriate purchase order.

#### **FEDERAL INFORMATIONAL TAX RETURN**

5. **Condition:** We noted that New Horizons, Inc. did not file their Federal Informational Tax Return - Form 990 by the required deadline for fiscal year ending September 30, 1986.

**Recommendation:** We recommend that New Horizons, Inc. establish procedures to ensure that the Form 990 is completed by the deadline.

**Response:** Each year hereafter, the auditors will be asked to complete the Federal Informational Tax Return - Form 990 for the fiscal year.

#### **RENT EXPENSE**

6. **Condition:** We noted that rent expense was incorrectly paid for the Shreveport facility for January 1986. New Horizons, Inc. purchased their administrative office building on January 1, 1986.

During the fiscal year ended September 30, 1996, the New Horizons, Inc. expended 78 percent of its total federal awards under the major program as listed in the schedule of federal awards.

We performed tests of controls, as required by GAO Circular A-113, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the organization's major federal award program, which is identified in the accompanying schedule of federal awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to administer federal award programs in accordance with applicable laws and regulations.

The reportable conditions noted are as follows:

#### **EMPLOYEE PAY DOCUMENTATION**

1. **Condition:** We noted two employees' rates of pay were not documented.

**Recommendation:** We recommend that New Horizons, Inc. follow existing procedures to document employee pay rates.

**Response:** We have copied all employee pay records in the financial records and put a copy in the personnel file. In the future, care will be taken to place a copy in the personnel file.

#### **PURCHASE ORDERS**

2. **Condition:** We noted seven instances of disturbances exceeding \$25 that did not have supporting purchase orders.

**Recommendation:** We recommend that New Horizons, Inc. follow existing procedures to ensure that purchase orders are completed for purchases exceeding \$25.

The management of New Horizons, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

#### General Requirements

- political activity
- civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace act
- Administrative requirements

#### Specific Requirements

- Types of services allowed/disallowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Special tests and provisions
- Claims for advances and reimbursements
- Federal financial reports and claims for advances and reimbursements
- Allowable costs/costs principles

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.



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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT-AUDITED STANDARDS

Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

We have audited the financial statements of New Horizons, Inc. (a nonprofit organization) for the year ended September 30, 1998, and have issued our report thereon dated January 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to New Horizons, Inc. is the responsibility of New Horizons, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of New Horizons, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our test of compliance disclosed the following material instances of noncompliance.



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
New Horizons, Inc.  
Shreveport, Louisiana

We have audited the balance sheet of New Horizons, Inc. as of September 30, 1990, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of New Horizons, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons, Inc. at September 30, 1990, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.