

FRESH START OUTREACH MINISTRIES, INC.

WINNSBORO, LOUISIANA

FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

JUNE 30, 2010

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

Release Date

4/20/11

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
JUNE 30, 2010

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

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January 15, 2011

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fresh Start Outreach Ministries, Inc.
Winnsboro, Louisiana

We have audited the accompanying statement of financial position of Fresh Start Outreach Ministries, Inc. as of and for the year ended June 30, 2010, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to errors in the accounting system, we were unable to obtain sufficient evidence to satisfy ourselves about the amounts at which assets, liabilities, revenues, and expenses are recorded in the accompanying financial statements as of and for the year ended June 30, 2010.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2011 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Fresh Start Outreach Ministries, Inc. taken as a whole. The accompanying financial information listed as supplementary information in the table of contents for the year ended June 30, 2010, is presented for purposes of additional analysis and is not a required part of the financial statements. Because of the matters discussed in the third paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the supplementary information listed in the table of contents.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash	103,586
Accounts Receivable	11,750
Prepaid Expenses	<u>14,907</u>

<u>TOTAL CURRENT ASSETS</u>	130,243
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FIXED ASSETS

Land	259,300
Building	1,308,221
Furniture and Fixtures	32,952
Equipment	46,228
Less: Accumulated Depreciation	<u>(215,032)</u>

<u>TOTAL FIXED ASSETS</u>	<u>1,431,669</u>
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<u>TOTAL ASSETS</u>	<u>1,561,912</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expense	<u>15,298</u>
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<u>TOTAL CURRENT LIABILITIES</u>	15,298
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NET ASSETS

Unrestricted	114,945
Fixed Assets (Unrestricted)	<u>1,431,669</u>

<u>TOTAL NET ASSETS</u>	<u>1,546,614</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>1,561,912</u>
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The accompanying notes are an integral part of these financial statements.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUES

SUPPORT

State of Louisiana	414,700
Contributions	81,706
Client Fees	<u>195,459</u>

<u>TOTAL SUPPORT</u>	<u>691,865</u>
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REVENUES

Product Sales and Service Revenue (Net)	119,280
Miscellaneous	<u>2,260</u>

<u>TOTAL REVENUES</u>	<u>121,540</u>
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<u>TOTAL SUPPORT AND REVENUES</u>	<u>813,405</u>
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EXPENSES

PROGRAM SERVICES

Support for Department of Health and Hospitals - Louisiana	<u>495,266</u>
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<u>TOTAL PROGRAM SERVICES</u>	<u>495,266</u>
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SUPPORT SERVICES

General and Administrative	<u>125,619</u>
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<u>TOTAL SUPPORT SERVICES</u>	<u>125,619</u>
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<u>TOTAL EXPENSES</u>	<u>620,885</u>
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<u>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</u>	<u>192,520</u>
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<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>1,354,094</u>
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<u>NET ASSETS AT END OF YEAR</u>	<u>1,546,614</u>
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The accompanying notes are an integral part of these financial statements.

FRESH START OUTREACH MINISTRIES, INC.
 WINNSBORO, LOUISIANA
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Increase (Decrease) in Net Assets	192,520
Adjustments to Reconcile Increase (Decrease) in Net Assets	
To Net Cash Provided (Used) by Operating Activities	
Depreciation	46,806
(Increase) Decrease in:	
Accounts Receivable	30,690
Prepaid Expenses	(3,500)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	(11,488)
Student Deposits	(5,098)
Net Cash Provided (Used) By Operating Activities	<u>249,930</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Purchase of Fixed Assets	(134,412)
Net Cash Provided (Used) By Investing Activities	<u>(134,412)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Payments on Debt	(31,108)
Net Cash Provided (Used) By Financing Activities	<u>(31,108)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	84,410
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>19,176</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>103,586</u>
<u>SUPPLEMENTAL CASH BASIS DATA</u>	
Interest Paid	338
Income Taxes Paid	-0-

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

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Support for Department of Health and <u>Hospitals</u>	General and <u>Administrative</u>	<u>Total</u>
Personal Services	158,696	39,674	198,370
Related Benefits	24,471	6,118	30,589
Supplies	56,955	14,239	71,194
Office	3,577	894	4,471
Contract Labor	-	-	-0-
Professional Fees	400	6,925	7,325
Internship	38,128	9,532	47,660
Repairs and Maintenance	18,361	4,590	22,951
Equipment Rental	6,670	1,668	8,338
Utilities	42,314	10,578	52,892
Telephone	5,726	1,431	7,157
Licenses	4,088	1,022	5,110
Advertising	6,006	1,502	7,508
Insurance	24,199	6,049	30,248
Interest	-	338	338
Other	19,730	4,933	24,663
Donations	21,439	-	21,439
Auto Expense	26,164	6,541	32,705
Meals, Entertainment, Travel	897	224	1,121
Total Expenditures Before			
Depreciation	457,821	116,258	574,079
Depreciation	37,445	9,361	46,806
 <u>TOTAL EXPENSES</u>	 <u>495,266</u>	 <u>125,619</u>	 <u>620,885</u>

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

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Statement of Presentation

The accompanying financial statements conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All of the net assets at June 30, 2010 are unrestricted.

B. Organization

Fresh Start Outreach Ministries, Inc. was organized to house, counsel, mentor, feed, and provide other services to individuals suffering from alcohol and drug addictions. The Organization is operated exclusively for charitable and educational purposes. The Organization provides rehabilitation services for persons with chemical addiction.

C. 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.

D. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Property and Equipment Accounting

Property and equipment acquired with Organization funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, funding sources have a reversionary interest in these assets as well as the determination of use of any proceeds from the sale of these assets.

The Organization does not have a written capitalization policy at June 30, 2010. Depreciation is computed on a straight-line basis over the estimated service lives of the assets. The following lives have been assigned to the fixed assets:

Computer Equipment and Vehicles	5 Years
Furniture, Fixtures, and Equipment	7 Years
Building	39.5 Years

Net values are computed as follows:

	<u>2010</u>
Land	259,300
Building	1,308,221
Equipment and Vehicles	46,228
Furniture and Fixtures	32,952
Less: Accumulated Depreciation	(<u>215,032</u>)
Net Value	<u>1,431,669</u>

F. Budget Policy

The Organization's Executive Director prepares the budget, and it is approved by the Board of Directors at board meetings.

G. Cash in Bank

All funds are in institutions insured by an agency of the Federal Government.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. Related Party Transactions

Board members employed by the Organization received salaries from the Organization, and local businesses owned by board members were patronized.

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS:

The Organization receives its monies through various methods of funding. Most of the funds are received on a service fee basis. The Organization also receives funds by contributions from both public and private sources. The primary source of funds is the Louisiana Department of Health and Hospitals.

NOTE 3 - ACCOUNTS RECEIVABLE:

Receivables at June 30, 2010 consist of service fees incurred under the program due from the Louisiana Department of Health and Hospitals.

The allowance for bad debts is zero as management believes all amounts are collectible.

NOTE 4 - BOARD OF DIRECTORS COMPENSATION:

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member for services on the board.

NOTE 5 - INCOME TAX STATUS

The Organization, a non-profit corporation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 6 - ACCRUED LEAVE:

As of June 30, 2010, unused annual leave time was not material. The Organization does not allow annual leave to be carried forward.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 7 - CONTINGENT LIABILITIES:

Amounts received or receivable from various agencies are subject to audit and adjustment by various agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount which may be disallowed cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fund-raising costs are not material, other than direct costs of specific fund-raising events.

NOTE 9 - RETIREMENT PLAN:

All employees are covered under the Social Security program.

NOTE 10 - ADVERTISING:

The Organization expenses advertising costs as they are incurred. The advertising cost for the year ended June 30, 2010 was \$7,508.

NOTE 11 - PRODUCT SALES AND SERVICES REVENUE:

Product sales and services revenues and expenses are as follows:

Product Sales and Services Revenues	273,004
Direct Product Sales and Services Costs	<u>(153,724)</u>
Net Product Sales and Services Revenue	<u>119,280</u>

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 12 - LINE OF CREDIT:

The Organization has a line of credit from Progressive Bank with a credit limit of \$100,000. The balance due as of June 30, 2010 is \$-0-. The interest rate is based on the Wall Street Journal Prime plus 1%.

NOTE 13 - NOTES PAYABLE:

The Organization has no notes payable at June 30, 2010.

NOTE 14 - IMPAIRMENT OF LONG-LIVED ASSETS:

In accordance with the accounting guidance for the impairment or disposal of long-lived assets, the Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized to date.

NOTE 15 - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through January 15, 2011, the date the report was available for issue, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE 16 - UNCERTAIN TAX POSITIONS:

The Organization is subject to examination by various taxing authorities. Management has reviewed the Organization's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements. The years 2008, 2009, and 2010 tax returns are open to examination by taxing authorities.

SUPPLEMENTARY INFORMATION

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

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January 15, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Fresh Start Outreach Ministries, Inc.
Winnsboro, Louisiana

We were engaged to audit the financial statements of Fresh Start Outreach Ministries, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated January 15, 2011. We did not express an opinion on those financial statements because we were unable to obtain sufficient evidence to satisfy ourselves about the amounts at which assets, liabilities, net assets, revenues, and expenses are recorded in the accompanying financial statements. Errors were made by the Organization in entering transactions during the year. Therefore, we were unable to satisfy ourselves that the Organization's financial statements, as of and for the year ended June 30, 2010 are free of material misstatement by use of other auditing procedures. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fresh Start Outreach Ministries, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fresh Start Outreach Ministries, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fresh Start Outreach Ministries, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Those material weaknesses are described in the accompanying schedule of findings and responses as items 10-7 and 10-8. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are described as items 10-1, 10-2, 10-3, 10-4, 10-5, and 10-6 in the accompanying schedule of findings and responses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fresh Start Outreach Ministries, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 10-9.

Fresh Start Outreach Ministries, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Fresh Start Outreach Ministries, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF BOARD MEMBERS COMPENSATION
FOR THE YEAR ENDED JUNE 30, 2010

No compensation was paid to any board member during the year under audit, except as noted in the footnotes.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Disclaimer of Opinion

Internal control over financial reporting:

- * Material weakness(es) identified? X yes ___ no
- * Reportable condition(s) identified that
are not considered to be material
weaknesses? X yes ___ none reported
- Noncompliance material to financial
statements noted? ___ yes X no

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES

Internal Control

10-1

Criteria: The Organization should have proper documentation for each paid invoice.

Conditions: The Organization does not have proper documentation to support paid invoices.

Questioned Cost: None

Context: Not applicable

Effect: This finding has no effect on the financial statements.

Cause: There were some invoices misplaced or misfiled.

Recommendation: We recommend the Organization have proper documentation to support each paid invoice.

Response: Management will request proper documentation for each paid invoice.

10-2

Criteria: The Organization should maintain an updated student deposits account that details each student's account balance.

Conditions: The Organization did not maintain an updated student deposits account.

Questioned Cost: None

Context: Not applicable

Effect: This finding has no effect on the financial statements.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

Internal Control (Continued)

10-2 (Continued)

Cause: Management had an ineffective method to manage student deposit accounts.

Recommendation: We recommend that the Organization maintain an updated student deposits account that details each student's account balances.

Response: Management will implement proper procedures to maintain an updated student deposits account.

10-3

Criteria: The Organization should timely reconcile all bank accounts to the general ledger and investigate any old, outstanding checks and deposits.

Conditions: The Organization did not compare bank account reconciliations to the general ledger nor make the needed adjustments to the general ledger.

Questioned Cost: None

Context: Internal Controls

Effect: The bank accounts in the general ledger and financial statements were incorrect.

Cause: The Organization's management did not timely follow-up on bank account reconciliations and compare the reconciled balances to the general ledger.

Recommendation: We recommend that the Organization reconcile all bank accounts within ten days of receipt of the bank statement and compare the reconciled amounts to the general ledger. In addition, the reconciliation should be reviewed by a board member each month to ensure the reconciliation is prepared and that all reconciliations agree with the general ledger.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

Internal Control (Continued)

10-3 (Continued)

Response: Management will implement the above recommendations.

10-4

Criteria: The Organization should have appraisals on donated assets.

Conditions: The Organization did not have appraisals on donated assets.

Questioned Cost: None

Context: Not applicable

Effect: This finding may have a material effect on the financial statements as to fixed asset values and depreciation. The amount is not known.

Cause: Management was not able to maintain appraisals to support the donated assets.

Recommendation: We recommend that the Organization request appraisals from donors on all donated assets.

Response: Management is in the process of requesting appraisals on all donated assets.

10-5

Criteria: Proper internal controls require the segregation of certain duties by the Organization's personnel.

Conditions: The Organization lacks segregation of duties within its internal control system.

Questioned Cost: None

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

Internal Control (Continued)

10-5 (Continued)

Context: Proper internal controls require segregation of duties.

Effect: This finding has no effect on the financial statements.

Cause: The Organization is small with few employees.

Recommendation: We recommend that the Organization's independent Board of Directors review all financial data monthly.

Response: The Organization will have the independent Board members carefully review monthly financial data.

10-6

Criteria: Proper internal controls under professional auditing standards require management to prepare the Organization's annual financial statements.

Conditions: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. This condition is intentional by management based upon the Organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

Internal Control (Continued)

10-6 (Continued)

Conditions: Recently issued professional auditing standards
(Continued) require that we report the above condition as a control deficiency. The standards do not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Questioned Cost: None

Context: Internal controls

Effect: This finding has no effect on the financial statements.

Cause: It is not cost effective for the Organization to correct this control deficiency.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying professional auditing standard reporting requirements.

Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and, accordingly, do not believe any corrective action is necessary.

Response: Management agrees with this finding.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

Internal Control (Continued)

10-7

Criteria: The Organization should file all tax filings by the required due dates.

Conditions: The Organization was not filing the tax filings by the required due dates.

Questioned Cost: None

Context: All tax filings have specific required due dates.

Effect: This finding has no material effect on the financial statements.

Cause: Management was unaware of certain required due dates for tax filings.

Recommendation: We recommend that the Organization be aware and file all tax filings by the required due dates.

Response: The Organization will file all tax filings by the required due dates.

10-8

Criteria: The Organization's accounting system does not provide correct, timely financial information to those charged with governance.

Conditions: The Organization has not hired accounting staff with extensive experience in non-profit accounting.

Questioned Cost: None

Context: Proper accounting systems require accounting personnel with experience in the organization's industry (non-profit).

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

Internal Control (Continued)

10-8 (Continued)

Effect: The financial statements provided to those charged with governance have incorrect data.

Cause: Management did not hire accounting personnel with experience in the Organization's industry (non-profit).

Recommendation: We recommend the Organization hire a full-time chief accounting officer with extensive experience in the non-profit industry.

Response: The Board of Directors will consider hiring a full-time chief accounting officer with non-profit accounting experience.

10-9

Criteria: The Organization filed its audit report late with the Louisiana Legislative Auditor.

Conditions: The Organization's accounting system was not adequate for the auditors to complete the audit procedures by the due date.

Questioned Cost: None

Context: The Louisiana audit law requires audit reports to be submitted within six months of an organization's fiscal year end.

Effect: The audit report was not timely filed with the Louisiana Legislative Auditor.

Cause: The Organization did not hire accounting personnel with experience in the non-profit industry.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

Internal Control (Continued)

10-9 (Continued)

Recommendation: We recommend the Organization hire a full-time chief accounting officer with extensive experience in the non-profit industry.

Response: The Board of Directors will consider hiring a full-time chief accounting officer with non-profit accounting experience.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
JUNE 30, 2010

Internal Control

09-1

Finding: The Organization did not have proper documentation for each paid invoice.

Status: Uncleared.

09-2

Finding: The Organization did not maintain an updated student deposits account that detailed each student's account balance.

Status: Uncleared.

09-3

Finding: The Organization needed to strengthen administrative procedures by implementing a monthly budget review and capitalization policy.

Status: Cleared.

09-4

Finding: The Organization did not have appraisals on donated assets.

Status: Uncleared.

09-5

Finding: The Organization lacks segregation of duties by the Organization's personnel.

Status: Uncleared.

FRESH START OUTREACH MINISTRIES, INC.
WINNSBORO, LOUISIANA
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
JUNE 30, 2010

Internal Control (Continued)

09-6

Finding: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. This condition is intentional by management based upon the Organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Status: Uncleared. This finding is not cost effective to cure.

09-7

Finding: The Organization was late in filing certain tax returns.

Status: Uncleared.

Compliance

N/A