

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA

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FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
FOR THE YEAR ENDED  
JUNE 30, 2009

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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 2/24/10

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
JUNE 30, 2009

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"The CPA. Never Underestimate The Value."

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- Accounting & Auditing
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  - Governmental Organizations
- Business & Financial Planning
  - Tax Preparation & Planning
  - Individual & Partnership
  - Corporate & Fiduciary
- Bookkeeping & Payroll Services

December 31, 2009

## 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, 2009, 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.

Fixed assets are recorded at estimated cost as no records are available for the actual cost amounts. Depreciation is recorded using the estimated values.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the fixed assets referred to in the preceding paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the

financial position of Fresh Start Outreach Ministries, Inc. as of June 30, 2009, and the changes in net assets, activities, functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2009 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 financial information in the table of contents and the accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2009, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing 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.

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

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

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

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December 31, 2009

## 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 have audited the financial statements of Fresh Start Outreach Ministries, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 31, 2009. 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 opinion 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 Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. The deficiencies are listed as items 09-1, 09-2, 09-3, 09-4, 09-5, 09-6, and 09-7.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Department of Health and Hospitals, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

*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, 2009

ASSETS

CURRENT ASSETS

Cash	19,176	
Grants Receivable	42,440	
Prepaid Insurance	11,407	

<u>TOTAL CURRENT ASSETS</u>		73,023
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FIXED ASSETS

Land	259,300	
Building	1,181,957	
Furniture and Fixtures	28,734	
Equipment	42,298	
Less: Accumulated Depreciation	( 168,226)	

<u>TOTAL FIXED ASSETS</u>		1,344,063
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<u>TOTAL ASSETS</u>		<u>1,417,086</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	22,141	
Payroll Tax Payable	4,645	
Student Deposits	5,098	
Notes Payable - Kubota	857	
Line of Credit - Progressive Bank	30,251	

<u>TOTAL CURRENT LIABILITIES</u>		62,992
----------------------------------	--	--------

NET ASSETS

Unrestricted	10,031	
Fixed Assets (Unrestricted)	1,344,063	

<u>TOTAL NET ASSETS</u>		<u>1,354,094</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>1,417,086</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, 2009

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUES

SUPPORT

State of Louisiana	345,820
Contributions	87,508
Client Fees	<u>32,288</u>

TOTAL SUPPORT 465,616

REVENUES

Product Sales and Service Revenue (Net)	47,097
Other Revenue	<u>82,689</u>

TOTAL REVENUES 129,786

TOTAL SUPPORT AND REVENUES 595,402

EXPENSES

PROGRAM SERVICES

Support for Department of Health and Hospitals - Louisiana	<u>428,313</u>
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TOTAL PROGRAM SERVICES 428,313

SUPPORT SERVICES

General and Administrative	<u>107,076</u>
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TOTAL SUPPORT SERVICES 107,076

TOTAL EXPENSES 535,389

INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS 60,013

NET ASSETS AT BEGINNING OF YEAR 1,294,081

NET ASSETS AT END OF YEAR 1,354,094

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, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (Decrease) in Net Assets	60,013
Adjustments to Reconcile Increase (Decrease) in Net Assets To Net Cash Provided (Used) by Operating Activities	
Depreciation	38,816
(Increase) Decrease in:	
Grants Receivable	(19,740)
Prepaid Insurance	(11,407)
Increase (Decrease) in:	
Accounts Payable	( 396)
Accrued Payroll Taxes	( 376)
Student Deposits	<u>2,094</u>
Net Cash Provided (Used) By Operating Activities	<u>69,004</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets	(31,180)
Net Cash Provided (Used) By Investing Activities	<u>(31,180)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase (Decrease) in Debt	(38,008)
Net Cash Provided (Used) By Financing Activities	<u>(38,008)</u>

NET INCREASE (DECREASE) IN CASH ( 184)

BEGINNING CASH AND CASH EQUIVALENTS 19,360

ENDING CASH AND CASH EQUIVALENTS 19,176

SUPPLEMENTAL CASH BASIS DATA

Interest Paid	4,507
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, 2009

	Support for Department of Health and <u>Hospitals</u>	General and <u>Administrative</u>	<u>Total</u>
Personal Services	153,830	38,458	192,288
Related Benefits	14,963	3,741	18,704
Travel	480	120	600
Supplies	50,570	12,642	63,212
Other Services	733	183	916
Office	865	216	1,081
Contract Labor	-	-	-0-
Accounting	4,653	1,163	5,816
Internship	31,360	7,840	39,200
Repairs and Maintenance	18,254	4,564	22,818
Printing and Subscriptions	574	144	718
Equipment Rental	8,134	2,033	10,167
Utilities	57,867	14,467	72,334
Telephone	4,965	1,241	6,206
Licenses	3,931	983	4,914
Medical	3,570	892	4,462
Advertising	908	227	1,135
Insurance	12,690	3,172	15,862
Interest	3,606	901	4,507
Grocery Expense	92	23	115
Donations	6,213	1,553	7,766
Fuel	18,545	4,636	23,181
Meals and Entertainment	457	114	571
Total Expenditures Before			
Depreciation	397,260	99,313	496,573
Depreciation	<u>31,053</u>	<u>7,763</u>	<u>38,816</u>
<u>TOTAL EXPENSES</u>	<u>428,313</u>	<u>107,076</u>	<u>535,389</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, 2009

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, 2009 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, 2009

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 capitalization policy at June 30, 2009. 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>2009</u>
Land	259,300
Building	1,181,957
Computer Equipment and Vehicles	42,298
Furniture, Fixtures and Equipment	28,734
Less: Accumulated Depreciation	<u>( 168,226)</u>
Net Value	<u>1,344,063</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, 2009

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. At June 30, 2009, the following were earned by board members and their affiliates:

Salaries Paid Board Members	92,050
Contract Labor Paid Board Members	5,000
Equipment/Vehicles Purchased for Board Members	21,500
Various Expenses	<u>8,630</u>
<u>Total</u>	<u>127,180</u>

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 - GRANTS RECEIVABLE:

Grants receivable at June 30, 2009 consists 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.

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

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, 2009, unused annual leave time was not material. The Organization does not allow annual leave to be carried forward.

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.

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, 2009 was \$1,135.

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE 11 - PRODUCT SALES AND SERVICES REVENUE:

Product sales and services revenues and expenses are as follows:

Product Sales and Services Revenues	189,799
Direct Product Sales and Services Costs	<u>(142,702)</u>
Net Product Sales and Services Revenue	<u>47,097</u>

The Organization had no other material product sales and services expenses.

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, 2009 is \$30,251. The line of credit is an interest-only payment term, and the interest rate is based on the Wall Street Journal Prime plus 1%, adjustable daily. At June 30, 2009, the interest rate is 5.00%.

NOTE 13 - NOTES PAYABLE:

The Organization has a note payable to Kubota Credit Corporation. The note payable is financed over 36 months at an interest rate of 7.66%. The balance due as of June 30, 2009 is \$857, of which \$857 is current.

The following is the five year maturity schedule of the loan:

<u>Year</u>	<u>Amount</u>
2010	857
2011	-0-
2012	-0-
2013	-0-
2014	-0-



FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE 14 - IMPAIRMENT OF LONG-LIVED ASSETS:

The Organization reviews its rental 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 during the year ended June 30, 2009.

SUPPLEMENTARY FINANCIAL INFORMATION

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

SCHEDULE I

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
SCHEDULE OF EXPENDITURES BY GRANTOR  
FOR THE YEAR ENDED JUNE 30, 2009

	Total Department of Health and Hospitals <u>State Funds</u>
Personal Services	133,908
Related Benefits	13,026
Travel	418
Supplies	44,022
Other Services	638
Office	753
Contract Labor	-
Accounting	4,051
Internship	27,299
Repairs and Maintenance	15,890
Printing and Subscriptions	500
Equipment Rental	7,081
Utilities	50,374
Telephone	4,322
Licenses	3,422
Medical	3,108
Advertising	791
Insurance	11,047
Interest	3,139
Grocery Expense	80
Donations	5,409
Fuel	16,144
Meals and Entertainment	<u>398</u>
<u>TOTAL EXPENDITURES</u>	<u>345,820</u>

SCHEDULE II

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Health and Human Services</u> Passed through Louisiana State Department of Health and Human Services DHH State Funds	93.958	345,820

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Fresh Start Outreach Ministries, Inc. and is presented on the accrual basis of accounting.

NOTE 2 - SUBRECIPIENTS

Fresh Start Outreach Ministries, Inc. did not provide federal awards to subrecipients.

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
SCHEDULE OF BOARD MEMBERS COMPENSATION  
FOR THE YEAR ENDED JUNE 30, 2009

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 QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

\* Material weakness(es) identified?                        yes      X   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 QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Internal Control

09-1

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.

09-2

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 QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS  
(Continued)

Internal Control (Continued)

09-2 (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.

09-3

Criteria: The Organization should strengthen administrative procedures by implementing a monthly budget review.

Conditions: The Organization has not implemented a monthly budget review.

Questioned Cost: None

Context: Not applicable

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

Cause: Management has not considered implementing or establishing this procedure.

Recommendation: We recommend that the Organization implement a monthly budget review policy to monitor the budgeted amounts and then compare to actual amounts. If the variance is 5% or greater, the budget should be amended and board approved.

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS  
(Continued)

Internal Control (Continued)

09-3 (Continued)

Response: Management will implement a monthly budget review policy to monitor the budgeted amounts and compare to actual amounts. If the variance is 5% or greater, the budget will be amended and board approved.

09-4

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 has a material effect on the financial statements and we have qualified our opinion.

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.

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS  
(Continued)

Internal Control (Continued)

09-5

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

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.

09-6

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

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS  
(Continued)

Internal Control (Continued)

09-6 (Continued)

Conditions: (Continued) 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.

Recently issued professional auditing standards require that we report the above condition as a control deficiency. The standard does 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.

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WINNSBORO, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS  
(Continued)

Internal Control (Continued)

09-6 (Continued)

Recommendation: 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.

09-7

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.

FRESH START OUTREACH MINISTRIES, INC.  
WINNSBORO, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS  
(Continued)

Compliance (Continued)

09-7 (Continued)

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

FRESH START OUTREACH MINISTRIES, INC.  
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CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS  
JUNE 30, 2009

Internal Control

08-1

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

Status: Uncleared.

08-2

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

Status: Uncleared.

08-3

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

Status: Monthly budget review is still uncleared.

08-4

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

Status: Uncleared.

08-5

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, 2009

Internal Control (Continued)

08-6

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.

Compliance

08-7

Finding: The Organization should present original source documents for service fees collected.

Status: Cleared. The Organization has rectified the questioned cost of \$4,790 by paying it back to the State of Louisiana.