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Fresh Start
Outreach Ministries

Financial Statements
And Independent Auditors' Report

June 30, 2011

FRESH START OUTREACH MINISTRIES

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fresh Start Outreach Ministries
Winnsboro, Louisiana

We have audited the accompanying statement of financial position of Fresh Start Outreach Ministries as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Fresh Start Outreach Ministries' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fresh Start Outreach Ministries as of June 30, 2011, and the changes in its net assets and its 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 our report dated December 20, 2011, on our consideration of Fresh Start Outreach Ministries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Bond + Tousignant, LLC

Monroe, Louisiana
December 20, 2011

FRESH START OUTREACH MINISTRIES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

Assets	
Current Assets:	
Cash and cash equivalents	$ 109,559
Accounts receivable	15,421
Inventory	11,873
Prepaid expenses	4,963
Total current assets	141,816
Property, Plant and Equipment:	
Land	137,991
Building and improvements	805,367
Furniture, fixtures and equipment	79,180
	1,022,538
Less: accumulated depreciation	(145,203)
Total property, plant and equipment	877,335
Other Assets:	
Utility deposits	200
Total other assets	200
Total Assets	$ 1,019,351
Liabilities	
Current liabilities:	
Accounts payable	$ 23,030
Current Portion of Long Term Debt	5,108
Accrued Interest	103
Total current liabilities	28,241
Long-Term liabilities:	
Note Payable	$ 91,951
Total long-term liabilities	91,951
Total liabilities	120,192
Net Assets	
Unrestricted:	
Undesignated	21,824
Property and equipment	877,335
Total net assets	899,159
Total Liabilities and Net Assets	$ 1,019,351

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

FRESH START OUTREACH MINISTRIES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted		
	Undesignated	Property & Equipment	Total
Revenues, Support and Reclassifications			
Contractual revenue	$ 151,350	$ -	$ 151,350
Interest income	722	-	722
Contributions	37,322	-	37,322
Rent income	8,856	-	8,856
Client Fees	217,975	-	217,975
Product Sales and Service Revenue	298,617	-	298,617
Direct Product Sales and Service Costs	(128,897)	-	(128,897)
Miscellaneous	6,701	-	6,701
Total Revenues, Support and Reclassifications	592,646	-	592,646
Expenses			
Program Services:			
Health and human services	429,780	26,810	456,590
Supporting Services:			
Management and General	116,950	6,703	123,653
Total Expenses	546,730	33,513	580,243
Change in Net Assets	45,916	(33,513)	12,403
Transfers	(139,037)	139,037	-
Net Assets at Beginning of Year	114,945	1,431,669	1,546,614
Restatement (Note 10)	-	(659,858)	(659,858)
Net Assets at End of Year	$ 21,824	$ 877,335	$ 899,159

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

FRESH START OUTREACH MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Management and General	Total Expenses
Auto fuel & maintenance	$ 18,435	$ 4,609	$ 23,044
Personal Services	151,023	37,756	188,779
Advertising	12,507	3,127	15,634
Equipment Rental	3,179	795	3,974
Insurance	32,052	8,013	40,065
Licenses	1,001	250	1,251
Payroll Taxes & Related Benefits	18,126	4,532	22,658
Repairs and Maintenance	19,511	4,878	24,389
Internship	48,303	12,076	60,379
Professional services	5,529	9,902	15,431
Donations	9,278	-	9,278
Supplies	37,331	9,333	46,664
Telephone	6,603	1,651	8,254
Utilities	63,041	15,760	78,801
Interest	-	3,303	3,303
Miscellaneous	3,861	965	4,826
Depreciation	26,810	6,703	33,513
	$ 456,590	$ 123,653	$ 580,243

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

FRESH START OUTREACH MINISTRIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Operating Activities		
Change in Net Assets	$	12,403
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		33,513
(Increase) decrease in:		
Accounts receivable		(3,671)
Inventory		(11,873)
Prepaid expenses		9,944
Utility Deposits		(200)
Increase (decrease) in:		
Accounts payable		7,732
Accrued interest		103
Net Cash Provided by (Used in) Operating Activities		47,951
Investing Activities		
Payments for property and equipment		(139,037)
Net Cash Provided by (Used in) Investing Activities		(139,037)
Financing Activities		
Proceeds from Note Payable		100,780
Payments on Note Payable		(3,721)
Net Cash Provided by (Used in) Financing Activities		97,059
Net Increase (Decrease) in Cash and Cash Equivalents		5,973
Cash and Cash Equivalents at Beginning of Year		103,586
Cash and Cash Equivalents at End of Year	$	109,559

Supplemental Cash Basis Data		
Interest Paid	$	3,200

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

FRESH START OUTREACH MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. ORGANIZATION AND NATURE OF ACTIVITIES

Fresh Start Outreach Ministries ("Fresh Start") is a non-profit corporation organized under the laws of the State of Louisiana on March 19, 2001. The primary purpose of this 23,000 square foot 48-room facility located in Winnsboro, Louisiana is to house, counsel, mentor, feed, and provide other services to men suffering from alcohol and chemical addictions. Fresh Start is operated exclusively for charitable and educational purposes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual method of accounting, whereby revenues are recognized in the period earned and expenditures are recorded in the period incurred and to which they pertain in accordance with principles generally accepted in the United States of America.

Not-for-Profit Accounting

Fresh Start reports information regarding its financial position and activities in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205 according to three classes of net assets: unrestricted net assets, temporarily restricted assets, and permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The organization does not have any permanently restricted net assets at June 30, 2011.

The net assets are composed of the following:

UNRESTRICTED UNDESIGNATED NET ASSETS - consist of assets and revenue available and used for current operations and expenditures for current programs, and amounts designated by the Board of Directors for long-term investment, equipment, or other specific purposes.

UNRESTRICTED PROPERTY & EQUIPMENT NET ASSETS – consist of land, building and equipment fixed assets acquired and stated at cost. In includes fixed assets acquired by Fresh Start. and amounts donated to assist with the acquisition, construction or renovation of fixed assets.

TEMPORARILY RESTRICTED NET ASSETS - consist of assets available to meet current expenses, but only in compliance with restrictions specified by the grantor or donor.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contractual Revenue & Economic Dependency

Since 2007, Fresh Start has contracted with the the Louisiana Department of Health and Hospitals' Office of Behavioral Health to administer an Access to Recovery voucher program for substance abuse treatment. Fresh Start is thus subject to the administrative directives, rules, and regulations of state regulatory agencies, including but not limited to, the Department of Health and Hospitals' Office of Behavioral Health. Such administrative directives, rules, and regulations are subject to change by federal and state mandates For its services, Fresh Start received $60,310 of federal pass-through funds and $91,040 of state funds. Approximately 25% of Fresh Start revenue is generated from this contract. The remaining is generated from client fees, public contributions, product sales and service revenue, and rental income.

Cash and Cash Equivalents

Fresh Start considers all short-term, highly liquid debt investments purchased with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

Expenses by function have been allocated between program and support services classifications on the basis of estimates made by Fresh Start's management. Expenses are charged to each program based on direct expenditures incurred. Fund-raising costs are not material, other than direct costs of specific fund-raising events.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Inventory

Inventories are stated at lower of cost or market as determined by the first-in, first-out (FIFO) method.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for Doubtful Accounts

No allowance for uncollectible accounts has been provided since it is believed that the balance in accounts receivable is all collectible.

Capitalization and Depreciation

Property and equipment are recorded at cost. Donated capital assets are recorded at fair market value on the date of the donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. Estimated useful lives used for depreciation purposes are as follows:

Buildings	40 years
Furniture and Equipment	5 to 7 years

Impairment of Long-Lived Assets

Fresh Start reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than their carrying amounts, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended June 30, 2011.

Advertising

The production costs of advertising are expensed at the time that the advertising takes place. Advertising for 2011 totaled $15,634.

Subsequent Events

Subsequent events have been evaluated through December 20, 2011, which is the date the financial statements were available to be issued. See Note 9 regarding a change in governance.

NOTE 3. LAND, BUILDING AND EQUIPMENT

Expenditures for land, building and equipment are capitalized at cost. Property and equipment acquisitions are capitalized in excess of $1,000. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. For assets constructed by the Fresh Start, cost includes interest during the construction period and other carrying costs. When assets are disposed of, the cost related accumulated depreciation is removed from the accounts, and any gain or loss is recorded in operations. Fresh Start reclassifies temporarily restricted net assets to unrestricted net assets when the donated or acquired net assets are placed in service.

Depreciation is computed using the straight-line method over the estimated service lives of the assets. A summary of changes in general fixed assets for the year ended June 30, 2011 follows:

Assets Class		Service Life
Land	137,991	N/A
Building & Improvements	805,367	40 years
Furniture, Fixtures, and Equipment	79,180	5-7 years
	1,022,538	
Less: Accumulated Depreciation	(145,203)	
Net Balance	877,335	

Depreciation for 2011 totaled $33,513.

NOTE 4. CONTRIBUTED SERVICES

In some instances volunteers have donated time to Fresh Start's program services. During the year, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

NOTE 5. INCOME TAXES

Fresh Start is a non-profit voluntary health organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121 (5) of Title 47 of the Louisiana Revised Statutes of 1950.

Unrelated business taxable income (UBIT) is derived from any activity that constitutes a trade or business that is regularly carried on and is not substantially related to the organization's tax-exempt purposes. During 2011, Fresh Start did not earn any income which was classified as UBIT.

NOTE 6. PENSION

No employees of Fresh Start are members of a pension plan. The corporation withheld Federal Insurance Contributions Act (FICA) taxes for the period under audit.

NOTE 7 – OPERATING LEASES

The Company leases sanitation equipment with lease terms that vary from lease to lease. Lease expense for the year ended June 30, 2011 was $3,974.

Future minimum lease payments for the next five years ending June 30 are as follows:

2012	3,247
2013	238
2014	-
2015	-
2016	-
	3,485

NOTE 8. CONCENTRATION OF CREDIT RISK

Fresh Start Outreach Ministries' financial instruments that are exposed to concentrations of credit risk consist primarily of cash on deposit at financial institutions (including certificates of deposit). Fresh Start places its financial instruments with a high credit quality bank. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 in 2011. No amounts on deposit were in excess of federally insured at June 30, 2011.

NOTE 9 - TRANSACTIONS WITH RELATED PARTIES

Two voting board members are also employees of Fresh Start. These board members earned $81,400 for their services. On September 4, 2011, subsequent to the audit report period, these employees resigned their board positions. Additionally, local business entities owned by various board members provide business goods and services to Fresh Start. The total amount paid to these local entities for the year ended June 30, 2011 was not determinable.

FRESH START OUTREACH MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – WRITE DOWN IN PROPERTY, PLANT & EQUIPMENT

Fresh Start Ministries acquired land and a building through an act of donation on December 15, 2003 with a recorded value at the time of donation of $785,000. As the result of Hurricane Katrina in 2005, and vandalism and water damage to the property, the property has been abandoned for several years and is unusable except for the value of the land. Fresh Start Ministries decided to recognize a write down of the assets to their fair market value of $21,800 (confirmed by an expert real estate broker) retrospectively.

As indicated on the Statement of Activities, the Net Assets balance as of July 1, 2010 was restated as the result of this write-down to fair value to conform with accounting principles generally accepted in the United States of America.

Net Assets as of July 1, 2010 has been restated as follows:

Depreciation Expense reversed as of July 1, 2010	$ 15,899
Land and Building write-down (net)	643,959
Restatement to Net Assets as of July 1, 2010	$ 659,858

The above mentioned condition also caused the financial statements as of and for the year ended June 30, 2010 to be restated as follows:

Decrease in Land	$ 135,200
Decrease in Building and Improvements	628,000
Decrease in Accumulated Depreciation	103,342
Decrease in Total Property, Plant and Equipment	$ 659,858
Decrease in Total Assets	$ 659,858
Decrease in Unrestricted Net Assets	$ 659,858
Decrease in Total Net Assets	$ 659,858
Decrease in Total Liabilities and Net Assets	$ 659,858

Decrease in Expenses and Change in Net Assets:

Decrease in Depreciation Expense	$ 15,899
Increase in Change in Net Assets	$ 15,899

SUPPLEMENTAL INFORMATION

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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*

To the Board of Directors
Fresh Start Outreach Ministries
Winnsboro, Louisiana

We have audited the financial statements of Fresh Start Outreach Ministries,Winnsboro, Louisiana, as of and for the year ended June 30, 2011 and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with generally accepted auditing standards 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', 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' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fresh Start Outreach Ministries' 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 not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fresh Start Outreach Ministries' 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.*

We noted certain matters that we reported to management of Fresh Start Outreach Ministries in a separate letter dated December 20, 2011.

This report is intended solely for the information and use of the management and board of directors of Fresh Start Outreach Ministries, Federal and State awarding agencies, Louisiana Department of Health and Hospitals' Office of Behavioral Health, and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specific parties. However, under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bond + Tousignant, LLC

Monroe, Louisiana
December 20, 2011