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FRESH START OUTREACH MINISTRIES

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2013 AND 2012

FRESH START OUTREACH MINISTRIES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fresh Start Outreach Ministries, (a Louisiana Corporation), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, 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, and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fresh Start Outreach Ministries' internal control over financial reporting and compliance.

Bond + Tousignant, LLC

Monroe, Louisiana
December 23, 2013

FRESH START OUTREACH MINISTRIES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	2013	2012
Assets		
Current Assets:		
Cash and cash equivalents	$ 134,818	$ 84,363
Accounts receivable	6,770	6,770
Prepaid expenses	3,626	5,487
Total current assets	145,214	96,620
Property, Plant and Equipment:		
Land	207,991	207,991
Building and improvements	944,901	935,772
Furniture, fixtures and equipment	115,624	103,403
	1,268,516	1,247,166
Less: accumulated depreciation	(223,449)	(181,136)
Total property, plant and equipment	1,045,067	1,066,030
Other Assets:		
Utility deposits	200	200
Total other assets	200	200
Total Assets	$ 1,190,481	$ 1,162,850
Liabilities		
Current liabilities:		
Accounts payable	$ 26,146	$ 8,257
Accrued payroll and payroll taxes	10,672	7,024
Residents deposits	21,900	10,179
Current portion of long-term debt	25,707	1,424
Accrued Interest	85	196
Total current liabilities	84,510	27,080
Long-Term liabilities:		
Note Payable	$ -	$ 25,852
Total long-term liabilities	-	25,852
Total liabilities	84,510	52,932
Net Assets		
Unrestricted:		
Undesignated	60,904	43,888
Property and equipment	1,045,067	1,066,030
Total net assets	1,105,971	1,109,918
Total Liabilities and Net Assets	$ 1,190,481	$ 1,162,850

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

FRESH START OUTREACH MINISTRIES

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	Unrestricted			Unrestricted		
	Undesignated	Property & Equipment	Total	Undesignated	Property & Equipment	Total
Revenues, Support and Reclassifications						
Contractual revenue	$ 81,310	$ -	$ 81,310	$ 81,100	$ -	$ 81,100
Interest income	198	-	198	191	-	191
Contributions	41,297	-	41,297	118,241	-	118,241
Rent income	12,272	-	12,272	9,862	-	9,862
Grant Revenue	-	-	-	195,000	-	195,000
Client Fees	414,316	-	414,316	260,504	-	260,504
Product Sales and Service Revenue	328,062	-	328,062	233,151	-	233,151
Direct Product Sales and Service Costs	(160,432)	-	(160,432)	(125,056)	-	(125,056)
Fund Raising	41,504	-	41,504	39,118	-	39,118
Miscellaneous	1,385	-	1,385	1,660	-	1,660
Total Revenues, Support and Reclassifications	759,912	-	759,912	813,771	-	813,771
Expenses						
Program Services:						
Health and human services	544,683	33,850	578,533	428,157	28,746	456,903
Supporting Services:						
Management and General	166,554	8,463	175,017	127,334	7,187	134,521
Fund Raising:						
Fund Raising Expenses	10,309	-	10,309	11,588	-	11,588
Total Expenses	721,546	42,313	763,859	567,079	35,933	603,012
Change in Net Assets	38,366	(42,313)	(3,947)	246,692	(35,933)	210,759
Transfers	(21,350)	21,350	-	(224,628)	224,628	-
Net Assets at Beginning of Year	43,888	1,066,030	1,109,918	21,824	877,335	899,159
Net Assets at End of Year	$ 60,904	$ 1,045,067	$ 1,105,971	$ 43,888	$ 1,066,030	$ 1,109,918

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

FRESH START OUTREACH MINISTRIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

		2013		2012
Operating Activities				
Change in Net Assets	$	(3,947)	$	210,759
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation		42,313		35,933
(Increase) decrease in:				
Accounts receivable		-		8,651
Inventory		-		11,873
Prepaid expenses		1,861		(524)
Increase (decrease) in:				
Accounts payable		17,889		(14,773)
Accrued payroll and payroll taxes		3,648		7,024
Residents deposits		11,721		10,179
Accrued interest		(111)		93
Net Cash Provided by (Used in) Operating Activities		73,374		269,215
Investing Activities				
Payments for property and equipment		(21,350)		(224,628)
Net Cash Provided by (Used in) Investing Activities		(21,350)		(224,628)
Financing Activities				
Proceeds from Note Payable		-		28,190
Payments on Note Payable		(1,569)		(97,973)
Net Cash Provided by (Used in) Financing Activities		(1,569)		(69,783)
Net Increase (Decrease) in Cash and Cash Equivalents		50,455		(25,196)
Cash and Cash Equivalents at Beginning of Year		84,363		109,559
Cash and Cash Equivalents at End of Year	$	134,818	$	84,363
Supplemental Cash Basis Data				
Interest Paid	$	1,230	$	3,906

The accompanying notes are an integral part of the financiatl statements.

FRESH START OUTREACH MINISTRIES

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2013

	Program Services			Supportive Services		
	Women's Center	Men's Center	Total Program Services	Management and General	Fund Raising	Total Expenses
Advertising	$ -	$ 5,431	$ 5,431	$ 1,358	$ -	$ 6,789
Auto fuel & maintenance	2,871	18,199	21,070	5,267	-	26,337
Depreciation	-	33,850	33,850	8,463	-	42,313
Donations	-	-	-	15,410	-	15,410
Equipment Rental	150	2,080	2,230	558	-	2,788
Insurance	-	29,339	29,339	7,335	-	36,674
Interest	-	-	-	1,119	-	1,119
Internship	1,400	40,838	42,238	10,560	-	52,798
Licenses	-	2,402	2,402	601	-	3,003
Miscellaneous	5,750	20,089	25,839	6,460	-	32,299
Payroll Taxes & Related Benefits	6,475	21,869	28,344	7,086	-	35,430
Personal Services	70,344	164,182	234,526	58,632	-	293,158
Professional services	-	305	305	11,350	-	11,655
Repairs and Maintenance	3,989	22,314	26,303	6,576	-	32,879
Supplies	7,672	38,969	46,641	14,238	10,309	71,188
Telephone	2,910	7,029	9,939	2,485	-	12,424
Utilities	12,285	57,791	70,076	17,519	-	87,595
	$ 113,846	$ 464,687	$ 578,533	$ 175,017	$ 10,309	$ 763,859

2012

	Program Services			Supportive Services		
	Women's Center	Men's Center	Total Program Services	Management and General	Fund Raising	Total Expenses
Advertising	$ 44	$ 7,874	$ 7,918	$ 1,980	$ -	$ 9,898
Auto fuel & maintenance	11,783	6,253	18,036	4,509	-	22,545
Depreciation	-	28,746	28,746	7,187	-	35,933
Donations	-	-	-	7,570	-	7,570
Equipment Rental	-	1,661	1,661	416	-	2,077
Insurance	-	18,820	18,820	4,705	-	23,525
Interest	-	-	-	3,999	-	3,999
Internship	-	52,200	52,200	13,050	-	65,250
Licenses	-	540	540	135	-	675
Miscellaneous	-	3,297	3,297	824	-	4,121
Payroll Taxes & Related Benefits	1,126	17,345	18,471	4,618	-	23,089
Personal Services	11,550	151,740	163,290	40,823	-	204,113
Professional services	-	864	864	8,939	-	9,803
Repairs and Maintenance	-	22,531	22,531	5,633	-	28,164
Supplies	-	54,737	54,737	13,685	11,588	80,010
Telephone	1,732	5,878	7,610	1,903	-	9,513
Utilities	5,536	52,646	58,182	14,545	-	72,727
	$ 31,771	$ 425,132	$ 456,903	$ 134,521	$ 11,588	$ 603,012

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

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. Additionally, in 2012, a 24-room facility was established to provide similar services for women. 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, 2012.

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 $81,310 and $81,100 of state funds in 2013 and 2012, respectively. Approximately 10% 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.

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 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, 2013 and 2012.

Advertising

The production costs of advertising are expensed at the time that the advertising takes place. Advertising for 2013 and 2012 totaled $6,789 and $9,898, respectively.

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

Subsequent Events

Events that occur after the Statement of Financial Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which 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 December 23, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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, 2012 follows:

Assets Class	2013	2012	Service Life
Land	207,991	207,991	N/A
Building & Improvements	944,901	935,772	40 years
Furniture, Fixtures, and Equipment	115,624	103,403	5-7 years
	1,268,516	1,247,166	
Less: Accumulated Depreciation	(223,449)	(181,136)	
Net Balance	1,045,067	1,066,030	

Depreciation for 2013 and 2012 totaled $42,313 and $35,933, respectively.

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 2013 and 2012, 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, 2013 and 2012 was $2,788 and $2,077, respectively.

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

2014	1,416
2015	236
2016	-
2017	-
2018	-
	1,652

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 2013. No amounts on deposit were in excess of federally insured at June 30, 2013 and 2012.

NOTE 9. – LONG-TERM DEBT

At June 30, 2013, long-term debt consisted of the following:

	2013	2012
Winnsboro State Bank Note Payable:	$ 25,707	$ 27,276
Note payable in monthly installments of $212.95 including interest at 4.25%. The note matures in April 2014 and is collateralized by land and a building.		
Less: Current Portion	(25,707)	(1,424)
Total Long-Term Debt	$ -	$ 25,852

NOTE 10. – TRANSACTIONS WITH RELATED PARTIES

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, 2013 and 2012 was not determinable.

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INDEPENDENT AUDITORS' 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

We have audited, in accordance with the 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, the financial statements of Fresh Start Outreach Ministries, which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fresh Start Outreach Ministries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Fresh Start Outreach Ministries' internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fresh Start Outreach Ministries' financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bond + Tousignant, LLC

Monroe, Louisiana
December 23, 2013