

FRESH MINISTRIES, INC.

FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

FRESH MINISTRIES, INC.

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September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Fresh Ministries, Inc.
Jacksonville, Florida**

We have audited the accompanying financials statements of Fresh Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 of 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 auditor's 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

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INDEPENDENT AUDITOR'S REPORT
(continued)

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 Ministries, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Required by *Compliance Supplement*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state funding, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2018, on our consideration of Fresh Ministries, Inc.'s internal control over financial reporting and on 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 Ministries, Inc.'s internal control over financial reporting and compliance.



Swindell, Bohn, Durden & Phillips, PL
Jacksonville Beach, Florida
January 6, 2018

FINANCIAL STATEMENTS

FRESH MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 230,967
Accounts Receivable	1,095,557
Notes Receivable, Net of Allowance for Doubtful Accounts of \$103,503	-
Prepays	<u>11,281</u>

TOTAL CURRENT ASSETS	<u>1,337,805</u>
-----------------------------	-------------------------

NON-CURRENT ASSETS

Property and Equipment:	
Buildings and Improvements	6,586,905
Furniture and Equipment	901,214
Land	<u>267,611</u>
	7,755,730
Less: Accumulated Depreciation	<u>(1,768,458)</u>

Total Property and Equipment	5,987,272
-------------------------------------	------------------

Other Non-Current Assets:

Construction in Progress	337,815
Due from Related Entities	1,055,852
Loan Costs, Net of Accumulated Amortization of \$14,843	<u>15,518</u>

Total Other Non-Current Assets	<u>1,409,185</u>
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TOTAL NON-CURRENT ASSETS	<u>7,396,457</u>
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TOTAL ASSETS	<u><u>\$ 8,734,262</u></u>
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See notes to financial statements.

FRESH MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 96,634
Accrued Payables	62,871
Current Portion of Long-Term Debt	<u>224,150</u>
TOTAL CURRENT LIABILITIES	383,655
LONG-TERM LIABILITIES	
Long-Term Debt, Net of Current Portion	<u>1,482,416</u>
TOTAL LIABILITIES	1,866,071
NET ASSETS	
Unrestricted	6,868,191
Temporarily Restricted	<u>-</u>
TOTAL NET ASSETS	<u>6,868,191</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,734,262</u></u>

See notes to financial statements.

FRESH MINISTRIES, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,401,633	\$ 112,087	\$ 1,513,720
Grants	965,967	-	965,967
Rental Income	21,264	-	21,264
Program Revenue	49,200	-	49,200
Net Assets Released from Restrictions	<u>112,087</u>	<u>(112,087)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,550,151</u>	<u>-</u>	<u>2,550,151</u>
FUNCTIONAL EXPENSES			
Program Services	1,892,515	-	1,892,515
Management and General	<u>726,487</u>	<u>-</u>	<u>726,487</u>
TOTAL FUNCTIONAL EXPENSES	2,619,002	-	2,619,002
CHANGES IN NET ASSETS	(68,851)	-	(68,851)
NET ASSETS - BEGINNING OF YEAR	<u>6,937,042</u>	<u>-</u>	<u>6,937,042</u>
NET ASSETS - END OF YEAR	<u><u>\$ 6,868,191</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,868,191</u></u>

See notes to financial statements.

FRESH MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Salaries and Wages	\$ 799,740	\$ 79,897	\$ 879,637
Payroll Taxes	60,865	-	60,865
Professional Fees	-	140,544	140,544
Insurance	13,128	66,642	79,770
Travel	-	48,393	48,393
Marketing	4,483	1,651	6,134
Employee Benefits	21,326	146,929	168,255
Project Costs	599,316	17,825	617,141
Occupancy	342,005	181,314	523,319
Bank Service Charges	-	5,862	5,862
Telephone	25,826	12,424	38,250
Office Supplies	25,826	25,006	50,832
	<u>\$ 1,892,515</u>	<u>\$ 726,487</u>	<u>\$ 2,619,002</u>

See notes to financial statements.

FRESH MINISTRIES, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2017

CASH FLOW FROM OPERATING ACTIVITIES	
Decrease in Net Assets	\$ (68,851)
Adjustments to reconcile decrease in net assets to cash provided by operating activities:	
Depreciation and Amortization	290,441
Donated Equipment	(82,848)
(Increase) Decrease in Operating Assets:	
Accounts Receivable	338,693
Prepays	5,052
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(103,321)
Accrued Expenses	(2,721)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>376,445</u>
 CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Construction in Progress	(258,803)
NET CASH USED BY INVESTING ACTIVITIES	<u>(258,803)</u>
 CASH FLOW FROM FINANCING ACTIVITIES	
Due to/from Related Entities, net	(116,939)
Proceeds from long-term debt	242,482
Principal repayments of long-term debt	(82,138)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>43,405</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	161,047
 CASH - BEGINNING OF YEAR	<u>69,920</u>
 CASH - END OF YEAR	<u><u>\$ 230,967</u></u>
 SUPPLEMENTAL CASH FLOW DISCLOSURE:	
Cash Paid for Interest	\$ 61,459

See notes to financial statements.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 1 – ORGANIZATION

In 1994, the multi-faith based non-profit organization, Fresh Ministries, Inc. (the Organization) began working in the core-city of Jacksonville, Florida with a multi-pronged social action plan designed to assist children and families break the generational cycle of poverty that emotionally, physically, and economically entraps them. After listening to our core-city neighbors to fully understand the depth of their needs, the Organization drafted the blueprint for a teach-to-thrive “child-focused” model community – a community in which the health and educational opportunities available to the children living within the community are used to gauge the overall community’s vitality and future sustainability. Central to the model’s success is active communication and hands-on participation from within the community, the children, local faith leaders, and numerous non-profit program partners. In collaboration, those invested in the community work together to develop a healthy, sustainable community focused on nurturing children into successful, contributing citizens.

Multiple partners – each concentrating on their area of expertise but following the vision of a child-focused community as their guide – work to repair years of social neglect with a focus on improving six specific points of interest: educational opportunities, economic development, neighborhood safety, affordable housing, strengthening family relationships, and physical and mental health services for the community’s children and families. A child-focused community understands that to fully empower a child to succeed, he or she must have a strong foundation surrounded by adults capable of providing a stable home environment, the work ethic and job skills that provide employment opportunities, positive role models, safe neighborhoods and homes, and a healthy lifestyle.

Through the Organization’s capacity building and partnership management, dozens of non-profit and civic organizations’ programs interlock into a powerhouse prescription for recovery – a child-focused community redevelopment fitness plan. Together, we are empowering our neighbors to not only improve their children’s opportunities, afford decent homes, achieve high school graduation, and have safe neighborhoods in which to live, but also, second chances and first opportunities to energize the adults responsible for guiding the well-being and health of our community’s children.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 1 – ORGANIZATION (continued)

In its capacity building role, the Organization mentors small, community-led grassroots organizations operating within our community's neighborhood. These organizations focus on helping children and their families overcome stressful situations. When we identify one of our "Six Points" of interest within the community not being addressed by another worthy organization, we will initiate and fund the program. At this time, we are actively managing Jacksonville Hospitality Institute, Beaver Street Enterprise Center, East Jacksonville Neighborhood Resource Center, and support the East Jacksonville Neighborhood Community Association.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through January 6, 2018, the date which the financial statements were available to be issued.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred. The Organization adopted FASB ASC 958, 205, *Not for Profit Entities, Presentation of Financial Statements*, issued by the Financial Accounting Standards Board (FASB). Under FASB ASC 958, 205, 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. In addition, a statement of cash flows is required to be presented.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with maturity of three months or less to be cash equivalents. Separate bank accounts are maintained (when required) based on covenants of the respective agreements.

Accounts Receivable

All receivables are reported at their realizable value and are considered by the Board of Directors to be fully collectible.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses on trading securities are included in the change in net assets. Realized gains and losses on trading securities are calculated by the specific identification method. If investments are donated, the donations are recorded as revenues based on fair market value at the time of the gift.

Property and Equipment

The Organization capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Depreciation is charged as an expense over the estimated useful lives of each category of fixed assets using the straight-line method of depreciation. The useful lives used for depreciation range from five to forty years.

Depreciation expense was \$287,425 for the year ended September 30, 2017.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

Intangible assets include loan costs, being amortized on a straight-line basis over the life of the loan.

Amortization expense was \$3,016 for the year ended September 30, 2017.

Restricted and Unrestricted Revenue

In accordance with FASB ASC 958, 605, *Not for Profit Entities, Revenue Recognition*, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, 605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are performed by people with those skills, and would otherwise be purchased by the Organization.

Income Taxes

The Organization is exempt from income tax under Section 501(a) of the Internal Revenue Code (Code), as a Not-for-Profit Corporation described in Section 501(c)(3) of the Code. Therefore, no provision has been made for income taxes in the accompanying financial statements.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash, receivables, investments, other assets, payables, and accrued expenses. The carrying value of all such instruments, considering the terms, approximates fair value.

Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

Community Contribution Tax Credit Program	\$ 1,020,000
Department of Children and Families	74,307
Trade Receivables	<u>1,250</u>
	<u>\$ 1,095,557</u>

NOTE 4 – NOTES RECEIVABLE

The notes receivable is comprised of short term loans to companies at the Beaver Street Enterprise Center for startup, cash flow or expansion costs for a total of \$ 0. The funding for these loans came from a Federal grant that ended in 2006. These revolving loan funds are available for 12 years. The Organization records an allowance for doubtful accounts in an amount approximating anticipated losses. As of September 30, 2017, all remaining outstanding notes receivable were included in the allowance for doubtful accounts.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 5 – LONG-TERM DEBT

The Organization's long-term debt consists of the following at September 30, 2017:

Hancock Mortgage	\$ 609,516
BB&T Mortgage Resource Center	309,600
NWTF – City of Jax	365,093
BB&T Mortgage – Laura Street	45,875
Florida Community Loan Fund	242,482
Note from Trustee	<u>134,000</u>
	1,706,566
Less: Current Portion	<u>224,150</u>
	<u>\$ 1,482,416</u>

During 2003, the Organization secured financing from Wachovia Bank in the amount of \$350,000. The proceeds were used to fund costs associated with the construction of the Beaver Street Enterprise Center. The loan was refinanced through EverBank in December 2005 for \$317,791. The loan was again refinanced through Hancock Bank in February 2012. The amount refinanced was \$850,000, including \$23,738 in closing costs. The monthly repayment amount is \$6,749 including interest at 4.99% per annum. The refinanced loan will balloon and become due in full in February 2022. The outstanding balance of the note as of September 30, 2017 is \$609,516.

The Organization refinanced a mortgage with BB&T for the purchase of a building at 616 A. Phillip Randolph in August 2010 in the amount of \$400,000. The loan was refinanced through BB&T in August 2017 for \$309,600. The new mortgage is at 4.89% and paid over 58 months at \$2,696. The outstanding balance of the mortgage as of September 30, 2017 is \$309,600. As collateral on this note, BB&T has secured the building owned by the Organization. The loan will balloon and become due in full in August 2022.

The Organization secured a mortgage with Northwest Trust Fund (City of Jacksonville program) on the new Beaver Street Enterprise Center II. Total funds advanced though completion of the building were \$392,265. Monthly payments of \$1,860 started on March 24, 2015, including interest at 3.00%. The loan will balloon and become due in full in March 2025. The balance as of September 30, 2017 is \$365,093.

The Organization refinanced the mortgage on the Laura Street property with BB&T. The rate is 4.15% and monthly mortgage payments of \$1,020 through September 2021. The balance as of September 30, 2017 is \$45,875.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 5 – LONG-TERM DEBT (continued)

The Organization entered into a Line of Credit agreement with Florida Community Loan Fund for up to \$300,000 in November 2016 to finance the construction of an Aquaponics facility located at the Organization’s Weaver Center campus. The Line of Credit is interest only until November 2018 and bears an interest rate of 4.5% with an option to extend to a permanent loan. The organization fully intends to utilize this option, during which the loan will amortize over a period of five years where the remaining principal of the first \$200,000 bearing an interest rate of 5.25% and any additional remaining principal will bear an interest rate of 2.0%. The balance as of September 30, 2017 is \$242,482.

A verbal agreement was initiated by a Trustee and the Organization to offer a \$134,000 note for operating purposes. This note is interest free with no bonafide maturity date. Repayment was made in full in October 2017.

Maturities of long-term debt over the succeeding five years are due as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 224,150
2019	132,253
2020	146,026
2021	152,814
2022	685,727
Thereafter	<u>365,596</u>
	<u>\$ 1,706,566</u>

NOTE 6 – DONATED MATERIALS AND SERVICES

The Organization received donated materials and services of \$109,098, which consisted of \$26,250 of donated services, and \$82,848 of donated office furniture and equipment. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 7 – RELATED PARTIES

Related parties to the Organization include Beaver Street Enterprise Center, Inc., The Tale of the Comet, Fresh Ministries Foundation, Inc., Creekside Ministries, Be The Change International, Inc., and Worldwide Pilgrimage Ministries, Inc. Either Board members or employees of the Organization are members of the Boards of each of these entities.

Related party transactions include long-term and short-term receivables between the Organization and these entities. Balances at September 30, 2017, are as follows:

	<u>Receivables</u>
Beaver Street Enterprise Center, Inc.	\$ 723,429
Be the Change International	331,250
Creekside Ministries	<u>1,173</u>
	<u>\$1,055,852</u>

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a financial institution located in Jacksonville, FL, which may at times exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each institution are insured by the FDIC up to \$250,000. The Organization has not experienced any losses in its bank accounts and does not anticipate any future losses. At September 30, 2017, the Organization had an uninsured cash balance of \$7,773.

NOTE 9 – DEFINED CONTRIBUTION PLAN

The Organization has adopted a 403(b) plan, which allows an employee to participate in the plan. Participants may contribute a portion of their compensation to the plan up to amounts permitted under Section 403(b) of the Internal Revenue Service Code. The Organization does not contribute to the plan.

FRESH MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 10 – COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

ADDITIONAL INFORMATION



Looking Forward...Beyond the Numbers

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*Certified Public Bookkeeper.
Not registered with the
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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 Ministries, Inc.
Jacksonville, Florida**

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 Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fresh Ministries, Inc.'s 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 Ministries, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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.

**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*
(continued)**

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 Ministries, Inc.'s 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Swindell, Bohn, Durden & Phillips, PL
Jacksonville Beach, Florida
January 6, 2018



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
 MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
 IN ACCORDANCE WITH THE STATE PROJECTS
 COMPLIANCE SUPPLEMENT**

**To the Board of Directors
 Fresh Ministries, Inc.
 Jacksonville, Florida**

Report on Compliance for Each Major State Project

We have audited Fresh Ministries, Inc. compliance with the types of compliance requirements described in the Executive Office of the Governor’s State Project Compliance Supplement, that could have a direct and material effect on each of Fresh Ministries, Inc.’s major state projects for the year ended September 30, 2017. Fresh Ministries, Inc.’s major state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its state awards applicable to its state projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Fresh Ministries, Inc. major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Fresh Ministries, Inc. compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

* Certified Public Bookkeeper.
 Not registered with the
 Board of Accountancy

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE PROJECTS COMPLIANCE SUPPLEMENT
(continued)**

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of Fresh Ministries, Inc. compliance.

Opinion on Each Major State Project

In our opinion, Fresh Ministries, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Fresh Ministries, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fresh Ministries, Inc. internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fresh Ministries, Inc. internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE PROJECTS COMPLIANCE SUPPLEMENT
(continued)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

SBDP

**Swindell, Bohn, Durden & Phillips, PL
Jacksonville Beach, Florida
January 6, 2018**

FRESH MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FUNDING
Year Ended September 30, 2017

	<u>CFDA CSFA Number</u>	<u>Pass-Through Entity Identifying Number & Contract Number</u>	<u>Federal Expenditures</u>
Federal Grantor/Pass-Through Grantor/Program			
Department of Health and Human Services/ LSF Health Systems/ Block Grants for Community Mental Health	93.958	MH000	<u>\$ 96,845</u>
Total Expenditures of Federal Awards			<u><u>\$ 96,845</u></u>
 State Grantor/Program			
Department of Children & Families/ Beaver Street Enterprise Center	60.126	MH000	<u>863,567</u>
Total Expenditures of State Awards			<u><u>\$ 863,567</u></u>

See notes to schedule of awards.

FRESH MINISTRIES, INC.

NOTES TO SCHEDULE OF AWARDS

Year Ended September 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state funding “the Schedule” includes the federal, state and other grant activity of Fresh Ministries, Inc. under programs of the federal and state governments for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards, and requirements of Chapter 10.650 Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of Fresh Ministries, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Fresh Ministries, Inc. Therefore, some of the amounts presented in this schedule may differ from the amounts presented in, or used in preparation of the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, and Chapter 10.650 Rules of the Auditor General, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Fresh Ministries, Inc. has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – PASSTHROUGH

There were no awards passed through to subrecipients.

FRESH MINISTRIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

Financial Statements:

Type of Auditors' report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? _____ Yes X No

Significant deficiency identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

State Projects:

Internal control over major State projects:

Material weakness identified? _____ Yes X No

Significant deficiency identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major State projects: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General? _____ Yes X No

Identification of major state programs:

State Projects

Beaver Street Enterprise Center **CSFA# 60.126**

Dollar threshold used to distinguished between Type A and Type B programs: \$ 259,000

Auditee qualified as low-risk auditee? _____ Yes X No

FRESH MINISTRIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

Financial Statement Findings:

There are no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Major State Project Findings and Questioned Costs:

There are no reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Rules of the Auditor General.

Other Matters:

The management letter required by A.G. Rule Section 10.656(3)(e) is not included in this report because there were no findings required to be reported.

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal programs or state projects.

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal or State Single Audit Acts.