

**NEW BEGINNINGS --  
COMMUNITY DEVELOPMENT CORPORATION  
PORT ALLEN, LOUISIANA  
ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2015**

**NEW BEGINNINGS -- COMMUNITY DEVELOPMENT CORPORATION**  
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# **BAXLEY AND ASSOCIATES, LLC**

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P. O. Box 482  
58225 Belleview Drive  
Plaquemine, Louisiana 70764  
Phone (225) 687-6630 Fax (225) 687-0365

**Hugh F. Baxley, CPA/CGMA/CVA**  
**Margaret A. Pritchard, CPA/CGMA**

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**Staci H. Joffrion, CPA/CGMA**

Board of Directors  
New Beginnings – Community Development Corporation  
Port Allen, Louisiana

## **INDEPENDENT AUDITOR’S REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New Beginnings – Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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; 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 error or fraud.

### **Auditor’s Responsibility**

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 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 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 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Beginnings – Community Development Corporation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note I to the financial statements, the Organization has suffered a contingent liability resulting from a pending lawsuit and has a net deficiency in net assets that raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note I. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Other Information**

Our audit was conducted for forming the opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 14 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 related 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 Reports Required by Government Audit Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016, on our consideration of New Beginnings – Community Development Corporation'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 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* in considering New Beginnings – Community Development Corporation's internal control over financial reporting and compliance.

*Baxley & Associates, LLC*

Plaquemine, Louisiana  
June 28, 2016

## **FINANCIAL STATEMENTS**

**NEW BEGINNINGS --  
COMMUNITY DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 17,085
Petty cash	300
Accounts receivable	58,435
Prepaid Insurance	<u>350</u>
Total Current Assets	<u>76,170</u>
Property and Equipment	
Furniture, fixtures and equipment	35,622
Less: Accumulated depreciation	<u>(34,525)</u>
Total Property and Equipment	<u>1,097</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 77,267</u></u></b>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 16,016
Payroll liabilities	1,678
Contingent liability - litigation	50,000
Line of Credit	33,029
Loan - Capital Missionary	<u>6,000</u>
Total Current Liabilities	<u>106,723</u>
Net Assets	
Unrestricted	<u>(29,456)</u>
Total Net Assets	<u>(29,456)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 77,267</u></u></b>

The accompanying notes are an integral part of this statement.

**NEW BEGINNINGS--  
COMMUNITY DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Total</b>
<b>REVENUES, GRANTS AND OTHER SUPPORT</b>	
Federal grants	\$ 265,791
Program service revenue	13,433
Interest	6
Miscellaneous revenue	1,474
<b>TOTAL REVENUES, GRANTS, AND OTHER SUPPORT</b>	<b>280,704</b>
<b>EXPENSES</b>	
Program services	234,013
Management and general	100,473
Fundraising	-
<b>TOTAL EXPENSES</b>	<b>334,486</b>
<b>CHANGE IN NET ASSETS</b>	<b>(53,782)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>24,326</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ (29,456)</b>

The accompanying notes are an integral part of this statement.

**NEW BEGINNINGS -- COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>EXPENSES</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Totals</b>
Salaries	\$ 165,212	\$ 18,357	\$ -	\$ 183,569
Payroll taxes	12,639	1,404	-	14,043
Bank fees	-	443	-	443
Program contract labor	2,197	-	-	2,197
Depreciation	-	1,661	-	1,661
Insurance	11,843	-	-	11,843
Interest	-	5,256	-	5,256
Miscellaneous	-	280	-	280
Professional fees	-	21,702	-	21,702
Litigation expense	-	50,000	-	50,000
Rent	853	-	-	853
Supplies	7,086	-	-	7,086
Telephone	2,291	255	-	2,545
Transportation	29,589	-	-	29,589
Travel	-	859	-	859
Utilities	2,304	256	-	2,560
<b>TOTAL EXPENSES</b>	<b>\$ 234,013</b>	<b>\$ 100,473</b>	<b>\$ -</b>	<b>\$ 334,486</b>

The accompanying notes are an integral part of this statement.

**NEW BEGINNINGS -- COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (53,782)
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	1,661
Decrease in accounts receivable	20,791
Decrease in prepaid insurance	88
Increase in accounts payable	8,160
(Decrease) in payroll tax liabilities	(391)
Increase in contingent liabilities	<u>50,000</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>26,527</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of capital assets	<u>(1,411)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u><b>(1,411)</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from line of credit and loans	10,000
Principal payments on line of credit and loans	<u>(34,910)</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<u><b>(24,910)</b></u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>206</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>17,179</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u><b>\$ 17,385</b></u></u>
<b>SUMMARY OF CASH AND CASH EQUIVALENTS:</b>	
Cash and cash equivalents	\$ 17,085
Petty cash	<u>300</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u><b>\$ 17,385</b></u></u>
<b>Supplemental Data</b>	
Interest paid	<u><u><b>\$ 5,256</b></u></u>

The accompanying notes are integral part of this statement.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

New Beginnings – Community Development Corporation is a 501(c)(3) non-profit organization formed in 2000, and located in Port Allen, Louisiana. The mission of New Beginnings is to cultivate social and economic development in West Baton Rouge Parish. The goal of New Beginnings – Community Development Corporation is to improve the quality of life in the community by providing educational support, life skills training, and enrichment and growth opportunities for youth and their families. New Beginnings – Community Development Corporation’s mentoring, summer, and after school programs provide a well-rounded menu of services that is designed to meet the educational, vocational, physical, social, and psychological needs of the whole child. New Beginnings – Community Development Corporation serves West Baton Rouge Parish students from Pre-Kindergarten to 12<sup>th</sup> grade. The primary source of income for New Beginnings – Community Development Corporation is derived from a grant.

**Reporting Entity**

New Beginnings – Community Development Corporation is an independent non-profit organization with its own board of directors, mission, and vision. The board members are made up of volunteers who do not receive compensation for serving. New Beginnings – Community Development Corporation is not a component unit of another primary government nor does it have any component units which are related to it. Therefore, New Beginnings – Community Development Corporation has presented its financial statements as a separate special-purpose entity.

**Basis of Accounting**

The financial statements are prepared on the accrual basis wherein revenues are recognized when earned and expenses are recognized when incurred.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, New Beginnings – Community Development Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Bad Debts**

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 2015, there were no amounts considered to be uncollectible.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Property & Equipment and Depreciation**

Property and equipment are stated at cost, unless donated. Donated property and equipment are stated at fair market value as of the date of the gift. The policy implemented by New Beginnings --- Community Development Corporation for the capitalization of property and equipment is to capitalize all items which have a cost greater than \$500. Depreciation is charged to operations using the straight-line method over the estimated useful lives as follows:

Buildings	30-40 years
Vehicles	5 years
Furniture and fixtures	3-10 years

**Revenues**

The majority of the Organization's revenue is derived from U.S. Department of Education federal grants that are passed through the Louisiana Department of Education.

**Income Taxes**

New Beginnings is a nonprofit organization and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Service. Therefore, the Organization has not recorded a provision for income taxes in the accompanying financial statements and the Organization does not have any uncertain tax positions. The Organization files a federal tax return under U.S. federal jurisdiction.

**Contributions**

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

**Financial Statement Presentation**

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, 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, the Organization is required to present a statement of cash flows. As permitted by the Statement, the Organization has discontinued its use of fund accounting.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B – DEPOSITS AND CASH EQUIVALENTS**

At year end, New Beginnings – Community Development Corporation's carrying amount of deposits was \$17,085 and the bank balances were \$24,120. The entire bank balance was covered by federal depository insurance.

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2015 was made up of the following:

Grant revenue receivable	\$	58,277
Employee receivable		158
Total receivables	<u>\$</u>	<u>58,435</u>

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment is scheduled as follows:

	<u>BALANCE</u> <u>1/1/2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2015</u>
Furniture, fixtures and equipment	<u>\$ 34,211</u>	<u>\$ 1,411</u>	<u>\$ -</u>	<u>\$ 35,622</u>
Accumulated depreciation	<u>(32,864)</u>	<u>(1,661)</u>	<u>-</u>	<u>(34,525)</u>
<b>Total Property and Equipment</b>	<u>\$ 1,347</u>			<u>\$ 1,097</u>

Total depreciation expense for the year ended December 31, 2015 was \$1,661.

**NOTE E – LINE OF CREDIT AND LOAN**

In November 2014, New Beginnings – Community Development Corporation obtained a \$72,000 unsecured revolving line of credit from American Gateway Bank to help finance its short-term capital needs. Interest is payable monthly on outstanding balances at an interest rate of prime plus 8%. The balance of the line of credit at December 31, 2015 was \$33,029 and is due in full on June 29, 2016.

In October 2014, New Beginnings – Community Development Corporation received a \$6,000 loan from Capital Missionary Baptist Church. The loan is not due until New Beginnings is financially able to pay it. New Beginnings intends to pay the loan by October 15, 2016.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE E – LINE OF CREDIT AND LOAN (CONTINUED)**

The following is a summary of the activity of the line of credit and the loan for the year ended December 31, 2015:

	<u>Line of Credit</u>	<u>Loan</u>
Balance, December 31, 2014	\$ 57,939	\$ 6,000
Draws made during year	10,000	-
Payments made during year	(34,910)	-
Balance, December 31, 2015	\$ 33,029	\$ 6,000

**NOTE F – GRANTS/CONCENTRATION OF CREDIT RISK**

New Beginnings – Community Development Corporation receives the majority of their income through a Louisiana Department of Education pass through grant from the U. S. Department of Education. The current grant consisted of a one-year initial contract of \$288,000 for the first year of operation beginning July 1, 2013, which could be renewed on an annual basis for up to three years, contingent upon the Organization’s performance. The grant was renewed for a second year with a contract amount of \$288,000, extending the grant period to June 30, 2015. The grant was then extended for a third year with a contract amount of \$236,160, extending the grant period to June 30, 2016. For the year ended December 31, 2015, the revenue earned from this grant was \$265,791.

**NOTE G – ACCOUNTING FOR UNCERTAIN TAX POSITIONS**

On January 1, 2009, the Organization adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. The implementation of this Topic has no impact on the statement of financial position or statement of activities.

All tax returns have been appropriately filed by the Organization. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Organization’s tax filings are subject to audit by various taxing authorities. The Organization’s open audit periods are 2013 through 2015. Management evaluated the Organization’s tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**NOTE H – LITIGATION AND CONTINGENT LIABILITY**

There is one pending lawsuit in which New Beginnings is involved.

*VIRGINIA BANKS LISTACH, AS TUTOR OF, AND ON BEHALF OF, THE MINOR CHILD, FATIMA AKASHA BANKS, and TIMOTHY MATTHEW BANKS, JR. VS. WEST BATON ROUGE PARISH SCHOOL BOARD, WES WATTS, Superintendent and Agent of West Baton Rouge Parish School Board, COHN ELEMENTARY SCHOOL, CASSY BROU, as Agent of Cohn Elementary School, RAYNARD DOUGLAS, individually, and as Agent and employee of Cohn Elementary School, West Baton Rouge Parish School Board, and NEW BEGINNINGS COMMUNITY DEVELOPMENT CORPORATION, ISONEL BROWN, individually and as Agent of New Beginnings Community Development Corporation, ABC INSURANCE COMPANY, DEF INSURANCE COMPANY, UVW INSURANCE COMPANY AND XYZ INSURANCE COMPANY*

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE H – LITIGATION AND CONTINGENT LIABILITY (CONTINUED)**

This is a personal injury suit arising from a child being hit in the eye with a football during the after school enrichment activities being conducted by New Beginnings – Community Development Corporation at Cohn Elementary School. If New Beginnings is found to be liable, the best estimate range for damages would be \$50,000. The attorney for New Beginnings feels that there should be a contingent liability recorded for this amount as there was no adequate insurance coverage. The attorney also feels that there may be significant contributory negligence by the plaintiff. As of June 28, 2016, the final settlement had not been reached. The financial statements have been adjusted to show a contingent liability and litigation expense of \$50,000. It is reasonably possible that a change in this estimate could occur in the near term.

**NOTE I – GOING CONCERN**

At December 31, 2015, New Beginnings has a deficiency in net assets. This deficiency gives rise to questioning the organization's ability to sustain its operations in future periods. This deficiency was primarily due to the recording of a contingent liability resulting from a lawsuit as discussed in Note H. Management plans to aggressively pursue contributions and fundraising opportunities. Management will evaluate all costs and make reductions where possible.

**NOTE J – NET ASSETS**

As of December 31, 2015, New Beginnings was reporting negative net assets of \$29,456 due to the recording of a \$50,000 contingent liability resulting from a lawsuit as discussed in Note H.

**NOTE K – SUBSEQUENT EVENTS**

These financial statements considered subsequent events through June 28, 2016, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

SCHEDULE 1

NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2015

Agency Head: Isonel Brown

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 17,300
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Travel	-
Registration fees	-
Conference Travel	-
Total	<u>\$ 17,300</u>

**OTHER REPORTS REQUIRED BY *GOVERNMENT***  
***AUDITING STANDARDS***

# **BAXLEY AND ASSOCIATES, LLC**

P. O. Box 482  
58225 Belleview Drive  
Plaquemine, Louisiana 70764  
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA  
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Staci H. Joffrion, CPA/CGMA

## **SCHEDULE 2**

Board of Directors  
New Beginnings – Community Development Corporation  
Port Allen, Louisiana

### **INDEPENDENT AUDITOR'S 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**

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 New Beginnings – Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 June 28, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New Beginnings – Community Development Corporation'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 New Beginnings – Community Development Corporation'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.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency [2015-1].

**INDEPENDENT AUDITOR'S 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**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether New Beginnings - Community Development Corporation'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 or other matters that are required to be reported under *Government Auditing Standards*.

**New Beginnings – Community Development Corporation's Response to Findings**

New Beginnings - Community Development Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. New Beginnings – Community Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express not opinion on it.

**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.

*Baxley & Associates, LLC*

Plaquemine, Louisiana  
June 28, 2016

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2015**

**A. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_yes      X  no
- Significant deficiency identified that is not considered to be material weaknesses?   X  yes    \_\_\_\_\_no
- Noncompliance material to financial statements noted? \_\_\_\_\_yes      X  no

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2015-1 LACK OF CONTROLS OVER FINANCIAL REPORTING IN ACCORDANCE WITH GAAP**

Condition:

New Beginnings did not fully prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a repeat finding.

Criteria:

Year-end adjusting journal entries were not made to the financial statements to ensure that the statements were prepared in accordance with generally accepted accounting principles.

Effect:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the annual financial statements. This condition is intentional by management based upon the 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 AU-C 265 requires that we report the above condition as a control deficiency. The AU-C 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.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2015**

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying AU-C 265's reporting requirements. Prudent management requires that the potential benefit from an internal control must exceed its cost. Therefore, it may not be practical to correct all the deficiencies an auditor reports under AU-C 265. In this case we do not believe the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED DECEMBER 31, 2015**

**2014-1 LACK OF CONTROLS OVER FINANCIAL REPORTING IN ACCORDANCE WITH GAAP**

Condition:

New Beginnings did not fully prepare financial statements in accordance with generally accepted accounting principles (GAAP).

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Current Status:

This condition still exists in the current year.

**NEW BEGINNINGS – COMMUNITY DEVELOPMENT CORPORATION  
MANAGEMENT’S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Louisiana Legislative Auditor**

New Beginnings respectfully submits the following corrective action plan for the year ended December 31, 2015.

**2015-1 LACK OF CONTROLS OVER FINANCIAL REPORTING IN ACCORDANCE WITH GAAP**

Action Taken

New Beginnings’ management and the governing board understand their responsibility in the preparation of the financial statements, and that having the auditor play a role in the preparation of the financial statements will continue to result in a material weakness in our future audits. At this time, we believe that the benefit of hiring additional staff with expertise in GAAP accounting (like a CPA) does not outweigh the cost and is, therefore, cost-prohibitive to us. New Beginnings, however, remains committed to improving the financial position of our company. New Beginnings will embrace the lessons learned by reviewing the types of year-end journal entries and accounting principles that the auditor utilized and will make reasonable efforts to improve our accounting practices accordingly.

Name of Contact – Isonel Brown, Program Director

Anticipated Completion Date – NA