7118

RAYS OF SONSHINE

Financial Statements
For the Years Ended December 31, 2010 and 2009

RAYS OF SONSHINE

For the Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rays of Sonshine
Monroe, Louisiana

We have audited the accompanying statements of financial position of Rays of Sonshine (a nonprofit organization – the Organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2010 and 2009, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 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 basic financial statements taken as a whole.

Luffey, Huffman, Ragsdale & Soignier

(A Professional Accounting Corporation)
June 28, 2011

FINANCIAL STATEMENTS

RAYS OF SONSHINE

Statements of Financial Position

	December 31, 2010		
	Unrestricted	Temporarily Restricted	Total
Assets			
Cash	$ 160,944	$ 167,011	$ 327,955
Investments	128,637	-	128,637
Accounts receivable			
Federal	59,884	-	59,884
Services	27,370	-	27,370
United Way	-	9,000	9,000
Other	60,490	-	60,490
Land, building and equipment	1,450,975	170,381	1,621,356
Accumulated depreciation	(247,918)	-	(247,918)
Prepaid expenses	8,017	-	8,017
Deposits	3,763	-	3,763
Total assets	$ 1,652,162	$ 346,392	$ 1,998,554
Liabilities and net assets			
Liabilities			
Accounts payable	$ 159,352	$ -	$ 159,352
Accrued payroll	19,931	-	19,931
Rental deposits	2,040	-	2,040
Received from residents	11,372	-	11,372
Notes payable	826,517	159,949	986,466
Capital lease payable	3,198	-	3,198
Total liabilities	1,022,410	159,949	1,182,359
Net Assets			
Unrestricted	629,752	-	629,752
Temporarily restricted	-	186,443	186,443
Total net assets	629,752	186,443	816,195
Total liabilities and net assets	$ 1,652,162	$ 346,392	$ 1,998,554

The accompanying notes are an integral part of these statements.

December 31, 2009		
Unrestricted	Temporarily Restricted	Total
$ 188,750	$ -	$ 188,750
71,611	-	71,611
18,732	-	18,732
38,388	-	38,388
-	6,000	6,000
561	-	561
1,301,115	16,601	1,317,716
(195,015)	-	(195,015)
-	-	-
2,175	-	2,175
$ 1,426,317	$ 22,601	$ 1,448,918
$ 22,999	$ -	$ 22,999
20,181	-	20,181
2,000	-	2,000
16,308	-	16,308
885,459	-	885,459
8,323	-	8,323
955,270	-	955,270
471,047	-	471,047
-	22,601	22,601
471,047	22,601	493,648
$ 1,426,317	$ 22,601	$ 1,448,918

RAYS OF SONSHINE

Statements of Activities
For the Years Ended

	December 31, 2010		
	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Federal			
Targeted Capacity Expansion	$ 402,806	$	$ 402,806
Supportive Housing Program	152,256		152,256
Emergency food assistance program - noncash	116,404	-	116,404
Emergency food assistance program	4,719		4,719
HPRP	146,679		146,679
LISC	15,698		15,698
Federal - payments for services			
Block grant	341,414	-	341,414
Access to Recovery	36,435	-	36,435
Access to Recovery - nonfederal	28,295	-	28,295
Emergency Food Assistance - nonfederal	194,063	-	194,063
Contributions	75,575	290,000	365,575
United Way allocation	10,432	9,000	19,432
Program service fees	5,048	-	5,048
Charitable gaming	132,125	-	132,125
Cash prizes	(46,409)	-	(46,409)
Other revenue	53,669	-	53,669
Rental revenue	17,106	-	17,106
Total	1,686,315	299,000	1,985,315
Net assets released from restrictions	135,158	(135,158)	-
Total support and revenue	1,821,473	163,842	1,985,315
Expenses			
Program services			
Manna Pantry	376,613	-	376,613
Sonshine Coffee	25,940	-	25,940
R.E.A.P.	449,003	-	449,003
Women's residence	44,166	-	44,166
The Kitchen	92,867	-	92,867
Sonshine Community of Hope	17,523	-	17,523
Transitional housing 1	6,819	-	6,819
Transitional housing 2	4,398	-	4,398
Breard apartments	37,168	-	37,168
Mothers With Children	95,724	-	95,724
Homeless Prevention & Rapid Re-Housing	152,852	-	152,852
Total program services	1,303,073	-	1,303,073
Supporting services			
Charitable gaming	59,482	-	59,482
Management and general	300,213	-	300,213
Total supporting services	359,695	-	359,695
Total expenses	1,662,768	-	1,662,768
Increase (decrease) in net assets	158,705	163,842	322,547
Net assets at beginning of year	471,047	22,601	493,648
Net assets at end of year	$ 629,752	$ 186,443	$ 816,195

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

December 31, 2009		
Unrestricted	Temporarily Restricted	Total
$ 501,057	$ 3,395	$ 504,452
161,506	1,250	162,756
155,169	-	155,169
326,224	-	326,224
64,854	-	64,854
71,162	-	71,162
354,780	-	354,780
127,090	-	127,090
18,004	6,000	24,004
14,120	-	14,120
93,677	-	93,677
(41,559)	-	(41,559)
44,469	-	44,469
17,375	-	17,375
1,907,928	10,645	1,918,573
14,566	(14,566)	-
1,922,494	(3,921)	1,918,573
581,185	-	581,185
21,059	-	21,059
469,217	-	469,217
31,850	-	31,850
55,107	-	55,107
6,699	-	6,699
6,094	-	6,094
2,810	-	2,810
46,650	-	46,650
109,969	-	109,969
-	-	-
1,330,640	-	1,330,640
51,667	-	51,667
369,002	-	369,002
420,669	-	420,669
1,751,309	-	1,751,309
171,185	(3,921)	167,264
299,862	26,522	326,384
$ 471,047	$ 22,601	$ 493,648

RAYS OF SONSHINE

Statement of Functional Expenses

For the Year Ended December 31, 2010

	Program Services												Supporting Services		
	Manna Pantry	Sonshine Coffee	R.E.A.P.	Women's Residence	The Kitchen	Sonshine Community Of Hope	Transitional Housing 1	Transitional Housing 2	Breard Apartments (HUD)	Mothers With Children	Homeless Prevention & Rapid Re-Housing	Total Program Services	Charitable Gaming	Management and General	Total
Alarm system	$ -	$ -	$ 324	$ 1,407	$ -	$ -	$ -	$ -	$ -	$ 995	$ -	$ 2,726	$ 1,000	$ -	$ 3,726
Automobile	6,600	435	7,817	773	1,637	-	115	72	594	1,682	-	19,725	-	5,252	24,977
Bank service charge	56	29	487	-	-	-	-	-	131	-	-	703	120	2,320	3,143
Client Assistance	17	567	-	-	-	-	-	-	192	-	-	776	-	-	776
Contract labor	-	-	10,475	-	-	-	-	-	-	-	-	10,475	-	300	10,775
Contributions	-	-	269	-	-	-	-	-	-	-	-	269	-	-	269
Depreciation	15,130	997	17,920	1,772	3,752	-	263	166	1,361	3,855	-	45,216	-	12,038	57,254
Disposal, waste	1,755	-	1,214	-	-	-	-	-	-	-	-	2,969	-	-	2,969
Dues and subscriptions	-	-	5,029	-	-	-	-	-	-	-	-	5,029	-	185	5,214
Equipment (<$1,000)	-	217	7,550	2,919	-	-	1,875	1,465	2,252	-	455	16,733	-	12,204	28,937
Health screenings	-	-	-	-	-	-	-	-	228	-	-	228	-	-	228
Indirect charges	564	-	2,796	-	-	-	666	229	-	4,192	-	8,447	-	6,138	14,585
Insurance	6,564	433	7,774	769	1,628	-	114	72	591	1,673	-	19,618	-	5,222	24,840
Interest expense	2,121	973	12,317	-	-	-	-	-	11,492	9,662	-	36,565	-	22,400	58,965
Licenses and permits	-	103	1,190	-	-	-	-	-	-	920	-	2,213	-	95	2,308
Marketing and publicity	1,815	689	-	-	-	-	-	-	-	-	-	2,504	-	2,169	4,673
Meals	-	-	287	-	-	31	-	-	-	-	-	318	-	174	492
Miscellaneous	-	(643)	-	1,030	-	917	-	-	-	-	-	1,304	-	8,666	9,970
Office expenses	53	-	5,231	-	-	906	-	-	-	-	-	6,190	113	3,265	9,568
Pest control	300	-	509	300	-	-	300	300	300	300	-	2,300	-	100	2,400
Printing	-	-	1,471	-	-	-	-	-	-	-	-	1,471	-	622	2,093
Postage	-	-	1,674	-	-	437	-	-	7	-	-	2,118	11	338	2,467
Professional fees	-	-	33,781	-	-	14,795	-	-	-	-	-	48,576	3,165	24,096	75,837
Program expense	-	-	12,476	-	-	-	-	-	200	98	-	12,774	200	2,042	15,016
Repairs & maintenance	942	1,311	34,965	2,949	-	-	488	264	1,306	1,781	-	44,006	-	13,094	57,100
Rent	1,036	1,800	3,003	-	-	-	-	-	-	-	-	5,839	40,507	19,845	66,191
Rent paid on behalf of others	-	-	-	-	-	-	-	-	-	-	100,379	100,379	-	-	100,379
Salaries & benefits	21,048	12,677	217,212	24,577	30,404	-	-	-	1,303	62,874	23,633	393,748	11,891	135,981	541,620
Software services	-	-	4,008	-	-	-	-	-	2,980	-	-	6,988	-	-	6,988
Supplies-food	315,186	3,280	291	-	55,446	-	-	-	-	-	-	374,203	-	-	374,203
Supplies	899	321	13,831	209	-	-	-	-	549	165	1,575	17,549	2,475	8,868	28,892
Taxes	-	712	225	-	-	-	-	-	-	-	-	937	-	130	1,067
Telephone	583	-	18,070	1,562	-	-	24	-	323	1,550	-	22,112	-	4,472	26,584
Training	-	-	959	-	-	-	-	-	-	-	795	1,754	-	-	1,754
Travel and entertainment	-	-	7,945	-	-	437	-	-	-	-	88	8,470	-	458	8,928
Utilities	1,944	2,039	17,912	5,899	-	-	2,974	1,830	13,359	5,977	-	51,934	-	9,739	61,673
Utilities paid on behalf of others	-	-	-	-	-	-	-	-	-	-	25,907	25,907	-	-	25,907
Total expenses	$ 376,613	$ 23,940	$ 449,003	$ 44,166	$ 92,867	$ 17,523	$ 6,819	$ 4,398	$ 37,168	$ 95,724	$ 152,852	$ 1,303,073	$ 59,482	$ 300,213	$ 1,662,768

(Continued)

The accompanying notes are an integral part of this financial statement

RAYS OF SONSHINE

Statement of Functional Expenses (Concluded)

For the Year Ended December 31, 2009

	Program Services												Supporting Services		
	Manna Pantry	Sonshine Coffee	R.E.A.P.	Women's Residence	The Kitchen	Sonshine Community Of Hope	Transitional Housing 1	Transitional Housing 2	Breard Apartments (HUD)	Mothers With Children	Homeless Prevention & Rapid Re-Housing	Total Program Services	Charitable Gaming	Management and General	Total
Alarm system	$ -	$ -	$ 702	$ 2,194	$ -	$ -	$ -	$ 111	$ -	$ 1,011	$ -	$ 4,018	$ -	$ 474	$ 4,492
Automobile	7,578	249	6,082	412	719	-	79	37	608	1,430	-	17,194	-	4,704	21,898
Bank service charge	72	174	112	-	-	-	-	-	-	-	-	358	118	2,987	3,463
Contract labor	84	-	38,133	-	263	-	-	-	-	-	-	38,480	495	27,916	66,891
Contributions	-	-	100	-	-	-	2,269	-	-	-	-	2,369	-	451	2,820
Depreciation	15,032	493	12,065	818	1,425	-	158	73	1,207	2,838	-	34,109	-	9,330	43,439
Disposal, waste	1,674	-	1,418	-	-	-	-	-	-	-	-	3,092	-	-	3,092
Dues and subscriptions	-	-	89	-	-	-	-	-	-	245	-	334	-	435	769
Equipment (<$1,000)	-	654	5,332	469	-	-	275	-	6,872	1,202	-	14,804	-	14,753	29,557
Indirect charges	-	-	853	-	-	-	-	-	-	-	-	853	-	54	907
Insurance	7,977	262	6,403	434	757	-	84	38	640	1,506	-	18,101	-	4,952	23,053
Interest expense	2,313	1,647	1,597	-	-	-	-	-	8,739	5,805	-	20,101	-	19,559	39,660
Licenses and permits	-	50	1,419	-	-	612	-	-	-	920	-	3,001	-	720	3,721
Marketing and publicity	111	1,895	1,574	238	-	-	-	-	-	279	-	4,097	-	1,705	5,802
Meals	-	-	-	-	-	299	-	-	-	-	-	299	-	1,609	1,908
Miscellaneous	-	-	-	-	-	1,800	-	-	-	-	-	1,800	-	775	2,575
Office expenses	-	-	1,163	-	-	-	-	-	-	-	-	1,163	-	773	1,936
Pest control	-	90	-	-	-	-	-	-	-	-	-	90	-	2,700	2,790
Printing	-	198	7	-	-	286	-	-	-	-	-	491	-	12,481	12,972
Postage	-	-	160	-	-	68	-	-	-	-	-	228	-	4,460	4,688
Professional fees	-	-	3,375	-	-	3,000	-	-	-	-	-	6,375	-	61,478	67,853
Program expense	-	-	706	-	-	-	-	-	-	489	-	1,195	150	21,642	22,987
Repairs & maintenance	1,216	2,044	8,196	6,179	-	-	484	110	10,284	2,921	-	31,434	-	33,262	64,696
Rent	429	925	26,665	101	-	-	-	-	-	65	-	28,185	28,800	2,400	59,385
Salaries & benefits	29,407	7,567	311,292	12,211	14,654	-	-	-	2,411	79,150	-	456,692	20,996	78,206	555,894
Software services	-	-	-	-	-	-	-	-	-	-	-	-	-	2,517	2,517
Supplies-food	510,326	2,132	234	-	36,933	-	-	-	-	-	-	549,625	-	221	549,846
Supplies	1,725	1,604	10,681	1,249	356	634	203	195	6,525	2,104	-	25,276	1,108	31,910	58,294
Taxes	-	-	184	-	-	-	-	-	-	-	-	184	-	228	412
Telephone	533	-	7,412	1,162	-	-	-	-	-	1,245	-	10,352	-	12,088	22,440
Training	-	-	1,267	-	-	-	-	-	-	-	-	1,267	-	1,403	2,670
Travel and entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	11,443	11,443
Utilities	2,708	1,075	21,996	6,383	-	-	2,542	2,746	9,364	8,759	-	55,073	-	1,366	56,439
Total expenses	$ 581,185	$ 21,059	$ 469,217	$ 31,850	$ 55,107	$ 6,699	$ 6,094	$ 2,810	$ 46,650	$ 109,969	$ -	$ 1,330,640	$ 51,667	$ 369,002	$ 1,751,309

(Concluded)

The accompanying notes are an integral part of this financial statement.

RAYS OF SONSHINE

Statements of Cash Flows

	For the Years Ended December 31,	
	2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	$ 322,547	$ 167,264
Adjustments to reconcile increase (decrease) in net assets to net cash		
Provided (used) by operating activities		
Depreciation	52,903	43,439
Changes in assets and liabilities		
Accounts receivable	(93,063)	46,689
Accounts payable	131,416	3,774
Deposits received on rentals	40	1,200
Accrued liabilities	(250)	3,501
Prepaid expenses	(8,017)	-
Deposits	(1,588)	-
Total adjustments	81,441	98,603
Net cash provided (used) by operating activities	403,988	265,867
Cash flows from investing activities		
Purchase of investments	(50,000)	(204)
Gain (loss) on investments	(7,026)	(6,509)
Purchase of property and equipment	(303,640)	(421,858)
Proceeds from sales of assets	-	500
Net cash provided (used) by investing activities	(360,666)	(428,071)
Cash flows from financing activities		
Payment on notes payable	(58,942)	(35,532)
Proceeds from new debt	159,950	366,148
Payment on capital lease	(5,125)	(6,829)
Net cash provided (used) by financing activities	95,883	323,787
Increase (decrease) in cash	139,205	161,583
Cash at beginning of year	188,750	27,167
Cash at end of year	$ 327,955	$ 188,750
Non-cash transactions are as follows		
Operating activities		
Donations of food from Food Bank	$ 310,467	$ 509,949
Disbursements of food by the Zone	(310,467)	(509,949)
Total operating activities	-	-
Cash paid for interest	$ 58,965	$ 39,660

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

RAYS OF SONSHINE

Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 1 - Description of Organization

Rays of Sonshine (the Organization) was established in 1998 as a not-for-profit volunteer health and welfare organization for the purpose of working to assist individuals in crisis situations through various charitable and educational programs. In 2007 a subsidiary of Rays of Sonshine, Sonshine Neighborhoods and Properties, Inc., was established to construct new homes for rental to low income individuals.

Note 2 - Summary of Significant Accounting Policies

(A) Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, the Organization is required to report information regarding its financial activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

(B) Contributions

In accordance FASB ASC 958-205, "Not For Profit Entities-Revenue Recognition", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence of donor-imposed restrictions. The Organization has elected to recognize temporarily restricted contributions which are released from the restriction in the same year as unrestricted contributions.

(C) Donated Services

Members, agencies, businesses, volunteers, and others contribute substantial services toward fulfillment of the projects initiated by the Organization. No amounts have been recognized in the Statement of Activities because the criteria for recognition of such volunteer efforts under FASB ASC 958-205 have not been satisfied.

(D) *Cash and Cash Equivalents*

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For financial statement purposes, the Organization considers cash in its checking accounts to be the only cash item.

(E) *Property and Equipment*

Property and equipment are stated at cost. The capitalization policy is to expense all items with a cost of less than $1,000. All donated capital assets are recorded at fair market value on the date of the donation. Depreciation is computed on a straight-line and double declining balance basis over the useful lives of the assets using the following estimated lives:

	Years
Buildings and Improvements	30
Furniture and Equipment	10-30
Vehicles	3

(F) *Net Assets*

Unrestricted net assets represent the surplus accumulated over the years through the normal operations of the Organization. Income from restricted sources which is received during the year and for which the restrictions are satisfied within the same year, is represented in the changes in unrestricted net assets.

Temporarily restricted net assets at December 31, 2010 and 2009 were $186,443 and $22,601 respectively, which represents amounts due from the United Way of Northeast Louisiana, Inc., through June 30, 2011 and 2010 ($9,000 and $6,000, respectively), contributions restricted for demolition and reconstruction of Zone warehouse at December 31, 2010 ($167,011) and the undepreciated balance of equipment purchased under the Targeted Capacity Expansion and the Supportive Housing grants at December 31, 2010 and 2009 ($10,432 and $16,601, respectively).

There were no permanently restricted net assets at June 30, 2010 and 2009.

(G) Grants

The Organization receives commodities and other donated food items from the Food Bank of Northeast Louisiana, Inc. (the Food Bank). The Food Bank receives these items as a pass-through grant from the United States Department of Agriculture (USDA) or from other sources. The value of commodities is based on a price list from the USDA. The value for the other food items is based on an average cost per pound provided by America's Second Harvest.

The Local Initiatives Support Corporation has awarded a grant to the Organization that will help pay for consultant fees associated with implementation of a Neighborhood Stabilization Program.

All other grants are based on cost reimbursement.

(H) Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

(I) Programs

The Organization's principal programs are as follows:

Manna Pantry – A food pantry which distributes food to those in need. The food is obtained from the Northeast Louisiana Food Bank which includes food from the USDA.

R.E.A.P. (Overcomers) – This program provides classes to anyone in the community attempting to rebuild life and/or overcome destructive personal habits. Beginning in 2009, this program also encompasses The Mission which provides ministry services for those in crisis situations.

Women's Residence – This program provides shelter to women in crisis situations.

The Kitchen – This program is a food preparation program to provide meals for those individuals living in the Organization's half-way houses. It includes the warehouse which houses the Manna Pantry, as well as some disaster assistance supplies for the United Way of Northeast Louisiana, Inc., Habitat for Humanity and Volunteers of America.

Breard Apartments and Transitional Housing 1 and 2 provide shelter to homeless women that are attending treatment at Rays of Sonshine. What in previous years had been referred to as Transitional Housing 3 is now denoted the Mother's With Children program. This program provides shelter to homeless women that have children and are attending treatment at the Organization.

Targeted Capacity Expansion-Project FAMILY is a Federal Grant funded by the Department of Health and Human Services in which the funds are, beginning in 2009, disbursed among various programs.

Sonshine Coffee is a program designed to provide a training facility for women that are attending treatment at the Organization.

Sonshine Community of Hope is a new program that will assist with the construction of new homes on adjudicated lands to be rented to low income individuals and subsidized by the U.S. Department of Housing and Urban Development.

(J) *Income Taxes*

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3). This code section enables the Organization to accept donations which qualify as charitable contributions to the donor. The only exceptions are the income tax paid on gambling proceeds and sales taxes collected on sales at the Coffee House.

(K) *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Investments

Investments at December 31, 2010 included publicly traded mutual funds. Investments held were as follows:

Investment Type		Fair Value	% of Total
Oppenheimer US Govt Trust	$	51,776	40.2%
Oppenheimer Strategic Income Fund		19,096	14.8%
Bank Deposit Sweep		2,567	2.0%
Cash		55,198	42.9%
Total	$	128,637	100.0%

Note 4 - Property and Equipment

Property and Equipment consisted of the following:

	December 31,			
		2010		**2009**
Land	$	117,000	$	117,000
Construction in progress		294,207		-
Buildings		713,674		708,174
Building improvements		331,348		347,273
Vehicle		20,833		17,265
Furniture, Fixtures & Equipment		144,294		128,004
Property and Equipment before Accumulated Depreciation		1,621,356		1,317,716
Less: Accumulated Depreciation		(247,918)		(195,015)
Net Property and Equipment	$	1,373,438	$	1,122,701

Certain land, building, and improvements are pledged as collateral on a mortgage in favor of JPMorgan Chase Bank at December 31, 2010 and 2009.

Depreciation charged to expense was $57,255 and $43,439 for 2010 and 2009, respectively.

Included in Furniture, Fixtures & Equipment are two copy machines with a cost of $25,221. These copiers are financed under the terms of capital lease obligations discussed below and are depreciated using the Organization's policy for owned assets as discussed above.

RAYS OF SONSHINE

Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 5 - Notes Payable

Notes payable consisted of the following:

	December 31, 2010	December 31, 2009
Mortgages due to JPMorgan Chase Bank		
6.5% interest rate, secured by real estate. Payments are $1,880 monthly, due May 21, 2013 at which time a balloon payment of $198,152 will be due.	$ 132,661	$ 146,072
5.75% interest rate, secured by real estate. Payments are $501 monthly, due February 26, 2014 at which time a balloon payment of $26,219 will be due.	38,659	42,150
5.24% interest rate, secured by real estate. Payments are $2,834 monthly, due December 1, 2014 with balloon payment due at that time.	335,276	351,000
7.75% interest rate, secured by real estate. Payments are $1,137 monthly, due June 17, 2017 at which time a ballon payment of $57,036 will be due.	103,137	108,444
7.75% interest rate, secured by real estate. Payments are $759 monthly, due May 1, 2017 at which the time the interest rate on the remaining $37,490 will be adjusted to reflect market conditions.	68,466	72,031
6.5% interest rate, secured by real estate. Payments are $1,888 monthly, due April 18, 2018 with balloon payment due at that time.	132,585	139,259
Mortgage due to Community Trust Bank		
8.59% interest rate, secured by real estate. Payments are $537 monthly, with the final payment in December 2011.	6,136	11,744
Mortgage due to Cross Keys Bank		
8.0% interest rate, secured by real estate. Payments are $567 monthly, with the final payment in May 2012.	9,597	14,759
CDBG loan		
No-interest loan for the purposes of undertaking and satisfactorily completing NSP activities	159,949	-
Total	986,466	885,459
Less Current Portion of Notes Payable	(63,827)	(59,190)
Total Long-Term Notes Payable	$ 922,639	$ 826,269

The aggregate principal payments of long-term indebtedness maturing during the next five years are as follows:

Year	Bank Mortgages	CDBG Loan	Total
2011	$ 63,827	$ -	$ 63,827
2012	58,109	-	58,109
2013	144,806	-	144,806
2014	331,424	-	331,424
2015	22,741	-	22,741
Thereafter	205,611	159,948	365,559
Total	$ 826,518	$ 159,948	$ 986,466

The CDBG loan is a forgivable loan that starts as each rental unit is completed and operates at a full operating year. The loan forgiveness is at the rate of one-fifteenth of the initial principal loan amount in the case of rehabilitated property and at the rate of one-twentieth of the initial principal loan amount in the case of re-developed (new construction) rental units. As there is no way to ascertain a realistic amount anticipated to be forgiven (assuming on-going compliance with the federal requirements), the $159,948 is being reflected in the Thereafter line item.

Note 6 - Line of Credit

The Organization's Board approved a $275,000 line of credit in September 2010. No funds were drawn against the line of credit during 2010. The line of credit has a variable interest rate based on the LIBOR rate and will terminate on November 10, 2011.

Note 7 - Capital Lease Obligations

The Organization is obligated under capital leases for the purchase of two copiers totaling $25,221. At December 31, 2010, future minimum lease payments are $3,369 less $171 in interest for a net present value of future minimum lease payments of $3,198.

Note 8 - Federal Grants

The Organization has a contract to provide halfway house services as a pass-through from the Louisiana Department of Health and Hospitals under the United States Department of Health and Human Resources' Block Grant for Prevention and Treatment of Substance Abuse. For its services, the Organization received $341,414 and $326,224, in 2010 and 2009, respectively.

During 2006, the Organization was awarded a contract through the same pass-through agency from the same funding source to administer an Access to Recovery voucher program for substance abuse treatment. For its services, the Organization received $28,295 and $71,162 of Federal funds, in 2010 and 2009, respectively and $36,435 of State funds in 2010.

During 2007, the Organization was awarded a contract from the U.S. Department of Health and Human Services for a Targeted Capacity Response program from September 30, 2007 to March 29, 2011. For its services, the Organization received $402,806 and $504,452 for 2010 and 2009, respectively. This contract also covers expenses in other functional areas.

The Organization was awarded grants by the U.S. Department of Housing and Urban Development to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing to homeless persons so they can live as independently as possible. In 2010 and 2009, the Organization received $152,256 and $162,755, respectively.

The Organization distributes food each week to needy individuals that qualify under the Emergency Food Assistance Program of the United States Department of Agriculture. The food that is received from the Northeast Louisiana Food Bank, Inc. is comprised of commodities donated by the Louisiana Department of Agriculture and Forestry's Food Bank program and other local donors. The value of these commodities received was $310,467 and $517,536 for 2010 and 2009, respectively.

Note 9 - Disclosure about Concentrations

The Organization receives a large portion of its revenue based on contracts with various Federal, State and Local agencies. Therefore, a majority of its revenues and accounts receivable are derived from these sources and are contingent upon continued funding of such programs.

Note 10 - Related Party Transactions

Certain members of the executive director's family earned a total of $41,280 (including a payable of $635 at year end) in 2010 of which about $8,200 was paid by Federal grants. Services performed include lawn care, repairs and maintenance, management of Coffee House, teaching classes and charitable gaming.

For 2009, certain members of the executive director's family earned a total of $58,854 (including a payable of $400 at year end) in 2009 of which about $18,560 was paid by Federal grants. Services performed include lawn care, repairs and maintenance, management of Coffee House, teaching classes and charitable gaming. In addition, a certain member of the executive director's family was employed by the company handling the Organization's investment account and that member was the banker in charge of the account.

During 2010, the Organization entered into a contract with a voting board member's company, Armstrong Builders, for the construction of a new building at the Zone. Armstrong Builders was paid $14,739 for services rendered during November 2010 and was due $108,250 as of December 31, 2010, for services rendered during December 2010.

Additionally, Daniel Printing, an entity owned by the Executive Director's husband, was paid $1,314 during 2010 and was due $412 at December 31, 2010, for printing services provided to the Organization.

An advisory board member received $27,405 (all of which was paid by Federal grants) during 2010 and $56,610 (of which $53,310 was paid by Federal grants) during 2009.

A former voting board member received $9,895 (including $3,600 paid by Federal grants) during 2009.

Note 11 - Subsequent Event

Management has evaluated subsequent events through June 28, 2011 and it has been determined that no significant events have occurred for disclosure other than the demolition during the first half of 2011 of the warehouse which had become unusable due to age. This location is used to store and distribute food to the needy. This warehouse has since been reconstructed with minimal down time and both the demolition and the reconstruction were primarily funded by private contribution.

SUPPLEMENTAL INFORMATION

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA
Lori Woodard, MBA, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Rays of Sonshine
Monroe, Louisiana

We have audited the financial statements of Rays of Sonshine (a not-for-profit organization – the Organization), as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated June 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-01 and 10-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 10-02.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and accordingly express no opinion on them.

This report is intended solely for the information of management of the Organization, Federal and State awarding agencies and other entities granting funds to the Organization, and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Huffman Huffman Ragsdale & Simmons

(A Professional Accounting Corporation)

June 28, 2011

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Rays of Sonshine
Monroe, Louisiana

Compliance

We have audited the compliance of Rays of Sonshine (the Organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each the Organization's major federal programs for the year ended December 31, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

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Rays of Sonshine
Monroe, Louisiana

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Organization's 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 federal program 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 federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of the Organization, federal awarding agencies and pass-through entities, and other entities granting funds to the Organization and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Huffman Huffman Ragsdale & Simpson

(A Professional Accounting Corporation)

June 28, 2011

RAYS OF SONSHINE

Schedule of Expenditures of Federal Awards and Questioned Costs

For the Year Ended December 31, 2010

Federal Grantor Pass-Through Grantor Program Title	C.F.D.A. Number	Grant Number		Current Year Expenditures
U.S. Department of Agriculture				
Passed through the Northeast Louisiana Food Bank				
Emergency Food Assistance Cluster				
Emergency Food Assistance	10.569	Not Available	$	116,404
U.S. Department of Homeland Security				
Passed through the United Way				
Emergency Food and Shelter National Board Program	97.024	Not Available		4,719
U. S. Department of Health and Human Services				
Targeted Capacity Expansion	93.243	5H79TI019180-03		375,918
Targeted Capacity Expansion	93.243	1H79TI019180-01		26,888
Total U.S. Dept. of Health and Human Services				402,806
U. S. Department of Housing and Human Development				
Supportive Housing Program	14.235	LA0117B6H050801		141,769
Supportive Housing Program	14.235	LA0117B6H050802		10,487
Passed through the Louisiana Housing Finance Agency				
Community Development Block Grant	14.228	Not Available		159,949
Passed through the City of Monroe				
ARRA - Homeless Prevention and Rapid Re-Housing	14.257	Not Available		146,679
Passed through the Local Initiatives Support Corporation				
Section 4 FY 08 Grant	14.252	B-08-CB-NY-0001		15,698
Total U.S. Dept. of Housing and Human Development				474,582
Total Expenditures of Federal Awards			$	998,511

See Notes to Schedule of Expenditures of Federal Awards

RAYS OF SONSHINE

Notes to Schedule of Expenditures of Federal Awards
December 31, 2010

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of Rays of Sonshine (the Organization) for the year ended December 31, 2010 and is presented on the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when the related liability is incurred.

Note 2 - Non-Cash Federal Awards

Included in the accompanying Schedule of Expenditures of Federal Awards is a non-cash food contribution by the U.S. Department of Agriculture in the amount of $116,404.

Note 3 - Reconciliation of Federal Revenues with Expenditures

The Community Development Block Grant is a no-interest loan for the purposes of undertaking and satisfactorily completing the Neighborhood Stabilization Program activities. As such the expenditures ($159,949) are recognized in the current year on the Schedule of Expenditures of Federal Awards and is recorded as a note payable as the revenues will be recognized in future years as earned.

RAYS OF SONSHINE

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Section 1 – Summary of Auditor's Results

Financial Statements:

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? __X__ Yes ____ No

Significant Deficiency(s) identified not considered to be material weaknesses? ____ Yes __X__ None Reported

Noncompliance material to financial statements noted? ___ Yes __X__ No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified? __X__ Yes ____ No

Significant Deficiency(s) identified not considered to be material weakness(es)? ____ Yes __X__ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? __X__ Yes ____ No

Dollar threshold used to distinguish between Type A and Type B programs $300,000

Auditee qualified as low-risk auditee? ____ Yes __X__ No

Identification of Major Programs:

CFDA #	PROGRAM TITLE
93.243	Targeted Capacity Expansion-Project FAMILY
14.257	ARRA- Homeless Prevention and Rapid Re-Housing
14.228	Community Development Block Grant

Section II – Financial Statement Findings and Questioned Costs

10-01 Finding - Internal Controls (first reported in 2009)
Controls over resident's funds were ineffective and allowed an instance of resident's personal funds which were in custody of the Organization to be taken by an employee without the resident's knowledge. These funds were subsequently discovered by the resident when she was checking her bank activity on-line and notified the Organization. The Organization was able to seek restitution from the employee who stole the funds and replaced all funds into the resident's account.

Bank reconciliations are not appropriately documented for changes or errors that do occur on a periodic basis. Four of the bank reconciliations had differences between the ending bank balance per the bank reconciliation on Quickbooks and the beginning bank balance per the bank reconciliation on Quickbooks totaling approximately $23,000. Further review resulted in determining that two checks were voided in a prior period that later cleared the bank and two deposits were unchecked at some point.

Significant difficulties were also encountered in working with the Quickbooks system due to an illogical and unduly complicated account structure. This account structure results in excessive amounts of time being spent on the audit in simply deciphering and untangling the information in order to have an understanding of the true nature of the account balances. The daily activities as well as the audit are further complicated by the lack of sufficient accounting personnel to assess the needs of the Organization and address those needs on a proactive basis. The Organization presently has a bookkeeper that is very good at what she does but does not have sufficient time or the necessary skill set to keep up with the significant growth of the Organization.

Recommendation
We strongly recommend the hiring of a business manager who has complete authority to redesign the chart of accounts and to direct the accounting operations to ensure internal control issues are resolved.

Management's Corrective Action Plan
Control over residents' funds has generally been quite strong since the beginning of the Organization's existence. Beginning in 2010, some residents began being paid for outside services with a Visa Card given directly to clients. The Organization did not have a control procedure in place to train clients in the use of processing transactions with a Visa card which contained payroll deposits on it. In the instance noted, a client independently passed her Visa payroll card to a staff and told the pin number to the staff so the staff could get her money for her. Without anyone's knowledge, that staff kept the card. It produced a breech in controls of enabling the client to facilitate banking and tracking finances through the normal strong control procedures used in all other client fund situations.

Normally payroll is processed the same day it is received. All clients are paid differently. It had not yet been determined the payroll schedule of this client, so no client banking transactions could be analyzed until the month end printout when account totals were printed. In the instance noted above, it appeared the client was not regularly reporting her regular payroll activity to the Organization. Staff thought maybe the client wasn't working much and no suspicious activity was being detected. When the client told another staff she thought her account was not right, the improper use of the Visa payroll card still not detected. At the end of the month, once the printout of activity was received, an independent bookkeeping staff assigned to review the account noticed several unauthorized transactions on the account It became obvious that the card had been used other than the times the client got money off the card. The Executive Staff met with the staff in question and the staff admitted using the card. Restitution was made. The staff was fired.

Since this incident there has been a meeting with the Chairman of the Board, and a staff team meeting to discuss controls related to visa payroll accounts. Controls are in place, and it is being further studied by the Finance Policy & Procedure team (who are a part of the Finance Committee).

We do not agree that changes or errors occur on a periodic basis on bank reconciliations; in fact, very rarely do they occur. Bank reconciliations for all 12 bank accounts are systematically performed within 10 days of each month end. Once performed, they are generally not altered. Changes and corrections that occur, on a rare basis, due to voiding old outstanding checks or "unchecking" previously cleared deposits to properly reallocate account distributions are generally not documented but nevertheless are legitimately performed for a valid reason. On a very rare basis, any differences between the ending balance on the prior month's bank reconciliation that may have changed is immediately researched to determine the cause. With reference to the finding, deposits that had cleared were "unchecked" to be able to split the transaction into the correct accounts and immediately re-reconciled. These differences were discovered in preparing for the annual audit. The Organization was totally aware of the issue, corrected it as soon as it was discovered, but failed to adequately document the manner in which it was corrected. Any such occurrences in the future will be more carefully documented.

The Organization will make an effort to manually note changes and differences to all Quickbooks generated bank reconciliations that become different because of late subsequent adjustments, when and if they (rarely) occur.

The account structure used by the Quickbooks system agreeably is unduly complicated and illogical due to the growth of the Organization in terms of multiple funding sources of various sizes and multiple changing functional categories. The Organization committed to addressing this issue at the end of the prior audit and was unsuccessful in implementing its changed formatting structure. A proposed written change has been discussed internally at the Board's Finance Committee as well as consultation with the outside auditors, similar non-profit organizations and research within the Quickbooks Pro Advisor community. The Organization has begun to test the proposed formatting structure and will ensure implementation of it for the year ending December 31, 2011.

The Organization is aware of the need for a full-time, appropriately compensated Chief Financial Officer involved in implementation of the required financial accounting system necessary to keep up with the growth of the Organization. The Finance Committee will address this need and make recommendations to the Board this coming year to resolve the issue.

Rebuttal to Management's Corrective Action Plan
In the course of our audit we were told by employees (not one, but three) that the theft occurred when the residents' debit card was turned over to Rays of Sonshine, as required by their program, and that it was the resident that discovered the discrepancy in her bank account and reported it to management. The lack of control over residents' funds is further illustrated by the fact that the Organization has been unable to balance the monies received from and paid to residents with the bank account for not only this fiscal year, but also the previous fiscal year.

In our review of twelve bank reconciliations at year end, four of them contained errors. In our opinion, this is a very high ratio (one-third) for an organization claiming that changes or errors do not occur on a regular basis. Normal operating procedures with respect to accounting denote that deposits are not "unchecked" for allocation purposes but rather journal entries are used to allocate the funds without causing changes to bank reconciliations previously completed. The fact that the Organization "unchecks" deposits illustrates the lack of implementation of appropriate accounting procedures caused by insufficient personnel. The bookkeeper is simply overwhelmed with undue responsibilities.

Management has been reviewing structure modification for an extensive period of time without revision. As for the implementation of new account structure for the year ending December 31, 2011, it is our opinion that as we are already half way through said year, implementation would be difficult, if not impossible, and could result in more accounting errors. It would be our recommendation to implement any such new system effective January 1, 2012.

RAYS OF SONSHINE

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Section III – Federal Awards Findings and Questioned Costs

10-02 Finding - Federal Funding Compliance and Records
During our tests of various federal grant activities, we experienced difficulty in obtaining complete and accurate information from the Organization's Quickbooks bookkeeping system. The flow of federal revenue was not clearly delineated in the trial balance resulting in us being unable to match the federal revenues with the corresponding expenses using their bookkeeping program. It was only after reviewing the source documentation were we able to determine the validity of the balances provided.

Recommendation
As discussed previously, we recommend that management modify the chart of accounts and recordkeeping procedures to ensure that all federal monies are traceable from their receipt to their corresponding expenditure and are recorded in the appropriate period.

Management's Corrective Action Plan
The account structure used by the Quickbooks system agreeably is unduly complicated and illogical due to the growth of the Organization in terms of multiple funding sources of various sizes and multiple changing functional categories. The Organization committed to addressing this issue at the end of the prior audit and was unsuccessful in implementing its changed formatting structure. A proposed written change has been discussed internally at the Board's Finance Committee as well as consultation with the outside auditors, similar non-profit organizations and research within the Quickbooks Pro Advisor community. The Organization has begun to test the proposed formatting structure and will ensure implementation of it for the year ending December 31, 2011.

The Organization is aware of the need for a full-time, appropriately compensated Chief Financial Officer involved in implementation of the required financial accounting system necessary to keep up with the growth of the Organization. The Finance Committee will address this need and make recommendations to the Board this coming year to resolve the issue.

RAYS OF SONSHINE

Summary Status of Prior Year Audit Findings

The following is a summary of the status of the prior year findings included in Luffey Huffman, Ragsdale & Soignier (APAC) audit report dated June 29, 2010, in connection with the audit of the financial statements of Rays of Sonshine (RoS) as of and for the year ended December 31, 2009.

09-01 Finding – Internal Controls
Internal controls are written but have not been updated to accommodate the growth of the organization. Internal controls over cash exist, but there is no policy as to how soon deposits are to be made. Testing of five checks received indicated one check had yet to be deposited (although written 16 days prior) and a second check had been held a month before being deposited.

Two instances were noted where checks requiring two signatures were signed on both lines by the Executive Director. These checks totaled approximately $1,000 and were made to a related party. 19 of the 24 invoices reviewed and submitted by this related party were approved by the Executive Director and, in one instance, there was no authorization and the check date preceded the invoice date ($630).

Status
We have specifically followed Management's Corrective Action Plan
1. Deposit all deposits within a week
2. Checks are double checked for signing properly
3. Any check related to family is signed by Executive Board and Assistant Director or two Executive Board members.
See related Finding 10-01

09-02 Finding – Charitable Gaming
The general ledger reflects revenues from charitable gaming of $56,943 and expenses of $54,997 for a net income of $1,946. However, the charitable gaming quarterly reports for the year reflect gross revenues of $93,677 and cost of prizes of $41,539. However, the general ledger reflects only the net income with the cost of prizes being netted out of the proceeds. An adjustment had to be made to reflect costs of prizes paid out. Payroll related expenses such as payroll taxes related to charitable gaming workers was paid out of the general account instead of the charitable gaming account. Other expenses, such as charges for preparation of the quarterly reports, were paid out of an account not associated with charitable gaming. State law requires all expenses associated with Charitable Gaming to be paid out of the Charitable Gaming account.

Status
We have specifically followed Management's Corrective Action Plan
1. We have paid all expenses associated with charitable gaming out of the charitable gaming account. Any expenses that are paid elsewhere have been reimbursed through the charitable gaming account.
2. A quarterly general ledger journal entry to gross up the cost of prizes paid out and gross revenue from prizes have been made in 2010 to record gross amounts received and prizes paid out in accordance with generally accepted accounting principles.

RAYS OF SONSHINE

Summary Status of Prior Year Audit Findings

09-03 Questioned Costs with Respect to Related Parties and Federal Funding
Receipt of the Supportive Housing Program grant requires that Rays of Sonshine adhere to 24 CFR Part 85 and Part 583. 24 CFR Part 85 states that "..Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

i. The employee, officer or agent,

ii. Any member of his immediate family,

iii. His or her partner, or

iv. An organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award."

24 CFR Part 583 states that "...no person who is an employee, agent, consultant, officer, or elected or appointed official of the recipient and who exercises or has exercised any functions or responsibilities with respect to assisted activities, or who is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds there under, either for himself or herself or for those with whom he or she has family or business ties, during his or her tenure or for one year thereafter..."

The son of the Executive Director was contracted to perform various repair, maintenance and lawn work, much of which was reimbursed with funds from the Supportive Housing Program (about $18,000). These payments appear to meet the definition of being a conflict of interest.

Status
We have specifically followed Management's Corrective Action Plan
The Executive Board of Directors and Executive Director has addressed this situation specifically with the HUD representative in New Orleans. Further council was sought with the U.S. Dept. of Human Services project officer and financial training consultant from Washington, DC. After this finding no payment through federal funding was ever paid out to any family. Full disclosure of all potential use of "family" was reviewed and voted on by Board of Directors.