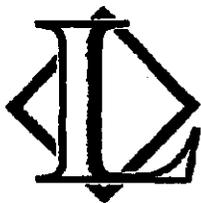


7118



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

September 17, 2012

Please find enclosed a revised Audit of Financial Statements as of and for the year ended December 31, 2011 for Rays of Sonshine, Inc. This revised Audit of Financial Statements has been revised to correct the 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. This report should not have reflected a finding, since there were no findings relating to major federal programs. The accompanying revised Audit of Financial Statements replaces our original Audit of Financial Statements. Please be advised that the original report should be either mailed back to Little & Associates or destroyed. If you choose to destroy the original reports, please call to inform us.

If you have any questions, please call Carol Brasher at (318) 361-9600.

Sincerely,

Little & Associates, LLC

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 31 2012

REISSUE

RAYS OF SONSHINE

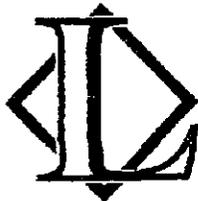
Financial Statements
For the Years Ended December 31, 2011 and 2010

RAYS OF SONSHINE

For the Years Ended December 31, 2011 and 2010

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report -----	2-3
FINANCIAL STATEMENTS	
Statements of Financial Position -----	4-5
Statements of Activities -----	6-7
Statements of Functional Expenses -----	8-9
Statements of Cash Flows -----	10
Notes to Financial Statements -----	11-19
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> -----	20-21
Independent Auditors' Report on Compliance with Requirements In Accordance With OMB Circular A-133 -----	22-23
Schedule of Expenditures of Federal Awards and Questioned Costs -----	24
Notes to Schedule of Expenditures of Federal Awards and Questioned Costs -----	25
Schedule of Findings and Questioned Costs -----	26-28
Summary Status of Prior Year Audit Findings -----	29-31



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rays of Sonshine
Monroe, Louisiana

We have audited the accompanying statement of financial position of Rays of Sonshine, a nonprofit organization, (the "Organization") as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year 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. The financial statements of Rays of Sonshine as of December 31, 2010, were audited by other auditors whose report dated June 28, 2011, expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Rays of Sonshine as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of Rays of Sonshine'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 Rays of Sonshine 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, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lettle + Associates, LLC

Monroe, Louisiana

June 29, 2012

RAYS OF SONSHINE

Statements of Financial Position

	December 31, 2011		
	Unrestricted	Temporarily Restricted	Total
Assets			
Cash	\$ 158,400	\$ -	\$ 158,400
Investments	128,564	-	128,564
Accounts Receivable			
Federal	261,025	-	261,025
Services	33,661	-	33,661
United Way	-	10,000	10,000
Other	-	-	-
Land, Building and Equipment	3,021,021	-	3,021,021
Accumulated Depreciation	(306,512)	-	(306,512)
Prepaid Expenses	9,034	-	9,034
Deposits	7,780	-	7,780
Total Assets	\$ 3,312,973	\$ 10,000	\$ 3,322,973
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$ 349,355	\$ -	\$ 349,355
Deferred Revenue	77,500	-	77,500
Accrued Payroll	9,243	-	9,243
Rental Deposits	1,480	-	1,480
Received from Residents	6,765	-	6,765
Notes Payable	1,987,052	-	1,987,052
Total Liabilities	2,431,395	-	2,431,395
Net Assets			
Unrestricted	881,578	-	881,578
Temporarily Restricted	-	10,000	10,000
Total Net Assets	881,578	10,000	891,578
Total Liabilities and Net Assets	\$ 3,312,973	\$ 10,000	\$ 3,322,973

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

RAYS OF SONSHINE

Statements of Activities
For the Years Ended

	December 31, 2011		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Federal			
Targeted Capacity Expansion	\$ 4,359	\$ -	\$ 4,359
Supportive Housing Program	186,114	-	186,114
Emergency Food Assistance Program - Noncash	83,769	-	83,769
Emergency Food Assistance Program	3,491	-	3,491
HPRP	140,230	-	140,230
LISC	18,558	-	18,558
Federal - Payments for Services			
Block Grant	346,612	-	346,612
Access to Recovery	42,470	-	42,470
AHP	120,000	-	120,000
Access to Recovery - Nonfederal	6,430	-	6,430
Emergency Food Assistance - Nonfederal	221,779	-	221,779
Contributions	63,109	-	63,109
United Way Allocation	12,423	10,000	22,423
Program Service Fees	2,802	-	2,802
Charitable Gaming	131,288	-	131,288
Cash Prizes	(43,162)	-	(43,162)
Other Revenue	48,666	-	48,666
Rental Revenue	15,140	-	15,140
Total	<u>1,404,078</u>	<u>10,000</u>	<u>1,414,078</u>
Net Assets Released from Restriction	186,443	(186,443)	-
Total Support and Revenue	<u>1,590,521</u>	<u>(176,443)</u>	<u>1,414,078</u>
Expenses			
Program Services			
Manna Pantry	367,959	-	367,959
Sonshine Coffee	8,144	-	8,144
R.E.A.P.	315,621	-	315,621
Women's Residence	56,734	-	56,734
The Kitchen	50,903	-	50,903
Sonshine Community of Hope	17,305	-	17,305
Transitional Housing 1	4,457	-	4,457
Transitional Housing 2	11,133	-	11,133
Bread Apartments	64,765	-	64,765
Mothers With Children	105,459	-	105,459
Homeless Prevention and Rapid Re-Housing	132,685	-	132,685
Total Program Services	<u>1,135,165</u>	<u>-</u>	<u>1,135,165</u>
Support Services			
Charitable Gaming	60,327	-	60,327
Management and General	143,203	-	143,203
Total Support Services	<u>203,530</u>	<u>-</u>	<u>203,530</u>
Total Expenses	<u>1,338,695</u>	<u>-</u>	<u>1,338,695</u>
Increase (Decrease) in Net Assets	251,826	(176,443)	75,383
Net Assets at Beginning of Year	<u>629,752</u>	<u>186,443</u>	<u>816,195</u>
Net Assets at End of Year	<u>\$ 881,578</u>	<u>\$ 10,000</u>	<u>\$ 891,578</u>

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

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 Restriction	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
Bread Apartments	37,168	-	37,168
Mothers With Children	95,724	-	95,724
Homeless Prevention and Rapid Re-Housing	152,852	-	152,852
Total Program Services	1,303,073	-	1,303,073
Support Services			
Charitable Gaming	59,482	-	59,482
Management and General	300,213	-	300,213
Total Support 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.

RAYS OF SONSHINE
 Statement of Functional Expenses
 For the Year Ended December 31, 2011

	Program Services										Supporting Services		Total		
	Manna Pantry	Sonshine Coffee	R.E.A.P.	Women's Residence	The Kitchen	Sonshine Community of Hope	Transitional Housing 1	Transitional Housing 2	Bread Apartments (HUD)	Mothers With Children	Homeless Prevention and Rapid Re-Housing	Total Program Services		Charitable Gaming	Management and General
Alarm System	\$ -	\$ -	\$ 94	\$ 911	\$ -	\$ -	\$ -	\$ -	\$ 455	\$ 1,187	\$ -	\$ 2,607	\$ -	\$ 891	\$ 3,498
Automobile	-	50	27,431	-	-	-	33	-	(110)	-	-	27,404	-	-	27,404
Bank Service Charge	28	-	35	-	-	-	-	-	338	-	-	401	336	2,352	3,289
Client Assistance	-	-	195	-	-	-	-	-	-	-	-	195	-	25	220
Contract Labor	40	-	7,390	-	-	-	-	-	-	-	-	7,390	-	-	7,390
Contributions	-	-	21	-	-	-	-	-	-	-	-	21	-	-	21
Depreciation	16,541	1,090	19,591	1,937	4,102	-	288	181	1,488	4,215	-	49,433	-	13,161	62,594
Disposal, Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues and Subscriptions	-	-	1,892	-	-	-	-	-	-	-	-	1,892	-	175	2,067
Equipment (<\$1,000)	1,968	-	-	-	-	-	-	-	-	-	-	1,968	-	-	1,968
Health Screenings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indirect Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	457	-	1,880	-	-	1,706	280	2,013	1,186	-	7,522	-	14,252	21,774
Interest Expense	-	519	10,440	-	-	-	-	-	7,771	13,930	-	32,660	-	18,395	51,055
Licenses and Permits	-	-	1,030	-	-	-	-	-	-	920	-	1,950	-	157	2,107
Marketing and Publicity	-	263	-	-	-	-	-	-	-	-	-	263	-	-	263
Meals	-	-	108	-	-	-	-	-	-	-	-	108	-	121	229
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Expenses	-	-	75	-	-	-	-	-	-	8,254	-	8,329	4,450	90	12,869
Pest Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Printing	-	-	1,159	-	-	-	-	200	-	-	-	1,359	-	-	1,359
Postage	-	-	1,611	-	-	-	-	-	-	23	6	1,640	-	862	2,502
Professional Fees	-	-	1,500	-	-	-	-	-	-	-	-	1,500	3,770	32,876	38,146
Program Expense	-	-	3,986	-	-	-	-	150	2,865	-	107,989	114,990	150	456	115,596
Repairs and Maintenance	3,391	310	15,546	3,019	-	-	801	1,836	3,114	1,277	-	29,317	-	8,743	38,062
Rent	-	1,650	-	-	-	-	-	-	-	-	-	1,650	38,470	-	40,120
Rent Paid on Behalf of Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries and Benefits	39,834	393	185,383	39,485	1,445	17,305	334	4,702	31,444	63,862	23,148	407,335	8,286	19,135	434,756
Software Services	-	-	1,385	-	-	-	-	-	120	-	-	1,505	-	785	2,290
Supplies - Food	305,548	-	19	14	45,356	-	-	-	-	-	-	350,937	-	-	350,937
Supplies	237	1,547	6,369	192	-	-	233	704	2,628	145	1,542	13,591	2,761	2,066	18,418
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	2,104	9,108	11,212
Telephone	85	-	12,282	1,878	-	-	-	796	332	1,889	-	17,262	-	5,580	22,842
Training	-	-	955	-	-	-	-	-	114	-	-	1,069	-	-	1,069
Travel and Entertainment	-	-	137	-	-	-	-	-	-	-	-	137	-	318	455
Utilities	287	1,862	17,073	7,418	-	-	1,062	2,264	12,193	8,571	-	50,730	-	13,453	64,183
Utilities Paid on Behalf of Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 367,959	\$ 8,144	\$ 315,621	\$ 56,734	\$ 50,903	\$ 17,305	\$ 4,457	\$ 11,133	\$ 64,765	\$ 105,459	\$ 132,685	\$ 1,135,165	\$ 60,327	\$ 141,203	\$ 1,338,695

The accompanying notes are an integral part of these financial statements

RAYS OF SONSHINE

Statement of Functional Expenses

For the Year Ended December 31, 2010

	Program Services										Supporting Services		Total		
	Meana Pantry	Sonshine Coffee	R.E.A.P.	Women's Residence	The Kitchen	Sonshine Community of Hope	Transitional Housing 1	Transitional Housing 2	Bread Apartments (HUD)	Mothers With Children	Homeless Prevention and Rapid Re-Housing	Total Program Services		Charitable Gaming	Management and General
Alarm System	-	-	\$ 324	\$ 1,407	-	-	-	-	-	\$ 995	\$ -	\$ 2,726	\$ 1,000	\$ -	\$ 3,726
Automobile	6,600	435	7,817	773	1,637	-	115	72	594	1,692	-	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	-	-	-	656	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	-	500	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 and 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	7,003	-	-	-	-	-	-	-	-	5,839	40,507	19,845	66,191
Rent Paid on Behalf of Others	-	-	-	-	-	-	-	-	-	-	100,379	100,379	-	-	100,379
Salaries and Benefits	21,048	12,677	217,212	24,577	30,404	-	-	-	1,303	62,874	23,653	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	28,882
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	\$ 390,213	\$ 1,662,768

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

RAYS OF SONSHINE

Statements of Cash Flows
For the Years Ended

	For the Years Ended December 31,	
	2011	2010
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 75,383	\$ 322,547
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	62,594	52,903
Changes in Assets and Liabilities		
Accounts Receivable	(147,942)	(93,063)
Prepaid Expenses	(1,017)	(8,017)
Deposits	(8,017)	(1,588)
Accounts Payable	190,003	131,416
Deferred Revenue	77,500	-
Deposits Received on Rentals	(5,167)	40
Accrued Liabilities	(10,688)	(250)
Total Adjustments	157,266	81,441
Net Cash Provided (Used) by Operating Activities	232,649	403,988
Cash Flows from Investing Activities		
Purchase of Investments	(22)	(50,000)
Sell of Investments	95	-
Gain (Loss) on Investments	-	(7,026)
Purchase of Property and Equipment	(1,399,665)	(303,640)
Net Cash Provided (Used) by Investing Activities	(1,399,592)	(360,666)
Cash Flows from Financing Activities		
Payment on Notes Payable	(63,674)	(58,942)
Proceeds from New Debt	1,064,260	159,950
Payment on Capital Lease	(3,198)	(5,125)
Net Cash Provided (Used) by Financing Activities	997,388	95,883
Increase (Decrease) in Cash	(169,555)	139,205
Cash at beginning of Year	327,955	188,750
Cash at End of Year	\$ 158,400	\$ 327,955
Non-Cash Transactions are as follows		
Operating Activities		
Donations of Food from Food Bank	\$ 305,548	\$ 310,467
Disbursements of Food by the Zone	(305,548)	(310,467)
Total Operating Activities	-	-
Cash Paid for Interest	\$ 51,055	\$ 58,965

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

RAYS OF SONSHINE

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

Note 1 – Description of Organization

Rays of Sonshine (the Organization) was established in 1998 as a non-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 Standard 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 items.

RAYS OF SONSHINE

Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

(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:

	<u>Years</u>
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, 2011 and 2010 were \$10,000 and \$186,443 respectively, which represents amounts due from the United Way of Northeast Louisiana, Inc., through June 30, 2012 and 2011 (\$10,000 and \$9,000, 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, 2011 and 2010 (\$0 and \$10,432, respectively).

There were no permanently restricted net assets at June 30, 2011 and 2010.

(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.

RAYS OF SONSHINE

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

(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 Sunshine. 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. This program ended during 2011.

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

Sonshine Community of Hope is a 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.

Mother's With Children - This program provides shelter to homeless women that have children and are now attending treatment at Rays of Sunshine.

RAYS OF SONSHINE

Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

(I) Programs, Continued

Homeless Prevention and Rapid Rehousing – This program provides rental assistance for those pre-qualified individuals or families suffering from homelessness or are at risk of homelessness.

(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 exception is the income tax paid on gambling proceeds. The Organization has adopted certain provisions of FASB ASC 740, *Income Taxes*. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Federal Return of Organization Exempt from Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T) for the years ended December 31, 2011, 2010 and 2009 are subject to examination by the IRS, generally for three years after they are filed.

(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, 2011 included only a money market account. Investments held were as follows:

Investment Type	Fair Value	% of Total
Prime Fund Daily Money Class	\$ 128,564	100.0%
Total	<u>\$ 128,564</u>	<u>100.0%</u>

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	<u>\$ 128,637</u>	<u>100.0%</u>

RAYS OF SONSHINE

Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 4 – Property and Equipment

Property and Equipment consisted of the following:

	December 31.	
	2011	2010
Land	\$ 117,000	\$ 117,000
Construction in Progress	1,420,873	294,207
Buildings	986,673	713,674
Building Improvements	331,348	331,348
Vehicle	20,833	20,833
Furniture, Fixtures and Equipment	144,294	144,294
Property and Equipment before Accumulated Depreciation	3,021,021	1,621,356
Less: Accumulated Depreciation	(306,512)	(247,918)
Net Property and Equipment	\$ 2,714,509	\$ 1,373,438

Certain land, building, and improvements are pledged as collateral on a mortgage in favor of JPMorgan Chase Bank at December 31, 2011 and 2010.

Depreciation charged to expense was \$62,594 and \$57,254 for 2011 and 2010, respectively.

Included in Furniture, Fixtures and 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, 2011 and 2010

Note 5 – Notes Payable

Notes Payable consisted of the following:

	December 31,	
	2011	2010
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.	\$ 118,341	\$ 132,661
6.20% interest rate, secured by real estate. Payments are \$501 monthly, due March 1, 2014 at which time a balloon payment of \$26,219 will be due.	34,968	38,659
5.24% interest rate, secured by real estate. Payments are \$2,834 monthly, due December 1, 2014 with balloon payment due at that time.	318,700	335,276
7.75% interest rate, secured by real estate. Payments are \$1,137 monthly, due June 7, 2017 at which time a balloon payment of \$57,036 will be due.	97,398	103,137
7.75% interest rate, secured by real estate. Payments are \$759 monthly, due May 15, 2017 at which that time the interest rate on the remaining \$37,490 will be adjusted to reflect market conditions.	64,613	68,466
6.8% interest rate, secured by real estate. Payments are \$1,340 monthly, due April 18, 2018 with balloon payment due at that time.	125,441	132,585
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
Mortgage due to Cross Keys Bank		
8.0% interest rate, secured by real estate. Payments are \$567 monthly, with the final payment in June 5, 2012.	3,382	9,597
CDBG Loan		
No-interest loan for the purposes of undertaking and satisfactorily completing NSP activities	1,224,209	159,949
Total	1,987,052	986,466
Less Current Portion of Notes Payable	(58,847)	(63,827)
Total Long-Term Notes Payable	<u>\$ 1,928,205</u>	<u>\$ 922,639</u>

RAYS OF SONSHINE

**Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010**

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

Year	Bank Mortgages	CDBG Loan	Total
2012	\$ 58,847	\$ -	\$ 58,847
2013	145,570	-	145,570
2014	330,317	-	330,317
2015	22,863	-	22,863
2016	24,602	-	24,602
Thereafter	180,644	1,224,209	1,404,853
Total	\$ 762,843	\$ 1,224,209	\$ 1,987,052

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 ongoing compliance with the federal requirements), the \$1,224,209 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 had a variable interest rate based on the LIBOR rate. On October 31, 2011, the line of credit was extended in the amount of \$515,000. The interest rate on the extended line of credit did not change and the termination date is set for August 10, 2012. No funds were drawn against the line of credit during 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. During 2011, the remaining lease was paid in full.

RAYS OF SONSHINE

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

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 \$346,612 and \$341,414 in 2011 and 2010, 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 \$42,470 and \$36,435 of Federal funds, in 2011 and 2010, respectively and \$6,430 and \$28,295 of State funds in 2011 and 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 \$4,359 and \$402,806 from 2011 and 2010, 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 ("HUD") 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 2011 and 2010, the Organization received \$186,114 and \$152,256, 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 \$305,548 and \$310,467 for 2011 and 2010, respectively.

The Organization was awarded grants by Local Initiatives Support Corporation ("LISC") through HUD to pay for a portion of the salary and fringe benefits for two positions: the Project Manager for the Neighborhood Stabilization Program ("NSP"), as well as a Project Assistant who will help with the Homelessness Prevention Program. In 2011 and 2010, the Organization received \$18,558 and \$15,698, respectively.

The Organization has a contract by the City of Monroe, which was a pass-through grant from the Louisiana Department of Social Services, as created under Title XII American Recovery and Reinvestment Act of 2009. Services under the contract are to be provided to either prevent (at-risk) individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly rehoused and stabilized. In 2011 and 2010, the Organization received \$140,230 and \$146,679, respectively.

RAYS OF SONSHINE

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

Note 9 – Disclosure and 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 revenue 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 \$27,401 in 2011 of which \$0 was paid by Federal grants. Services performed include lawn care, repairs and maintenance, management of Coffee House, teaching classes and charitable gaming.

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.

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. During 2011, Armstrong Builders was paid \$258,260 related to the contract. There was no payable due to Armstrong Builders at December 31, 2011.

Additionally, Daniel Printing, an entity owned by the Executive Director's husband, was paid \$1,653 and \$1,314 during 2011 and 2010 and was due \$0 and \$412 at December 31, 2011 and 2010, respectively for printing services provided to the Organization.

An advisory board member received \$27,405 (all of which was paid by Federal grants) during 2010.

During 2011, a non-voting executive board member received \$9,347 for accounting services performed for the Organization.

Note 11 – Subsequent Events

Management has evaluated subsequent events through June 29, 2012, and it has determined that no significant events have occurred that are required to be disclosed.



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., 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 year ended December 31, 2011 and have issued our report thereon dated June 29, 2012. 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

Management of the Organization is responsible for establishing and maintaining effective 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 opinion 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-01 and 2011-02 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Rays of Sonshine
Monroe, Louisiana

Compliance and Other Matters

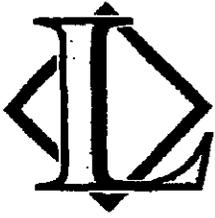
As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 did not disclose an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

Little & Associates, LLC

Monroe, Louisiana
June 29, 2012



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

**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, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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.

Little E. Associates, LLC

Monroe, Louisiana
June 29, 2012

RAYS OF SONSHINE

Schedule of Expenditures of Federal Awards and Questioned Costs

For the Year Ended December 31, 2011

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	\$ 83,769
U.S. Department of Homeland Security			
Passed through the United Way Emergency Food and Shelter National Board Program	97.024	Not Available	3,491
U.S. Department of Health and Human Services			
Targeted Capacity Expansion	93.243	5H79TI019180-03	4,359
U.S. Department of Housing and Human Development			
Supportive Housing Program	14.235	LA0117B6H050802	147,011
Supportive Housing Program	14.235	LA0163B6H050900	39,103
Passed through the Louisiana Housing Finance Agency Community Development Block Grant (Received in 2011)	14.228	Not Available	1,064,260
Passed through the City of Monroe ARRA - Homeless Prevention and Rapid Re-Housing	14.257	Not Available	140,230
Passed through the Local Initiatives Support Corporation Section 4 FY 08 Grant	14.252	B-08-CB-NY-0001	<u>18,558</u>
Total U.S. Department of Housing and Human Development			<u>1,409,162</u>
Total Expenditures of Federal Awards			<u>\$ 1,500,781</u>

RAYS OF SONSHINE

Notes to Schedule of Expenditures of Federal Awards December 31, 2011

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, 2011 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 liabilities are 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 \$83,769.

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 (\$1,064,260) are recognized in the current year on the Schedule of Expenditures of Federal Awards and are recorded as a note payable as the revenues will be recognized in future years as forgiveness of debt. Amount recognized in the previous year amounted to \$159,949. Total amount recorded as a note payable as of December 31, 2011 was \$1,224,209.

RAYS OF SONSHINE

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Section I -- Summary of Auditor's Results

Financial Statements:

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Significant Deficiency(s) identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Programs:

Material Weakness(es) identified? Yes No

Significant Deficiency(s) identified not considered to be material weaknesses? Yes No

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)? Yes No

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

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs:

CFDA #	PROGRAM TITLE
14.257	ARRA-Homeless Prevention and Rapid Re-Housing
14.228	Community Development Block Grant

RAYS OF SONSHINE

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

Section II – Financial Statement Findings and Questioned Costs

2011-1 - Improper Accounting Procedure for Payroll Check Signing and Approval

Condition and Criteria: Internal controls require related employee payroll checks are to be approved and signed by an Executive Board Member. During the audit, it was noted that three blank checks in order sequence were pre-signed by an Executive Board Member for future payroll payments for a related employee of the Executive Director. The Executive Director stated there would be no Board Member available to sign the related employee's payroll check, so they were pre-signed and the signed blank checks were locked up until the payroll period occurred.

Context: Limited to the three payroll checks.

Effect: Controls over payroll check writing were overridden, which could permit payroll improprieties.

Cause: No Executive Board Member was available to sign.

Auditors' Recommendation: Controls over payroll check writing, signing and approval should be reviewed.

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Finding and Recommendation): Management appreciates the expression of this finding which provoked a review of the process. A review of the particular occurrence identified by the audit shows it was done by the bookkeeper at the request of the board member due to family emergencies of the board member. The review also confirmed all payroll controls related to the checks were observed, i.e. payroll approval by the board, a second signature from an unrelated member of management, and signed timesheets with verification by unrelated supervisory staff. Corrective Plan: Staff and board members are receiving additional training on policies and procedures. A revised procedure is in place for this control with designated days each month for a board member to review bills and payroll and to sign the pre-printed checks for related parties and other expenditures as required by the policies and procedures.

2011-2 – No Support for Allocation of Payroll Provided with Timesheet

Condition and Criteria: Support should be provided along with the timesheet for allocation of payroll to various programs. During the audit, it was noted there was no documentation behind the employee's timesheet to back up the allocation of payroll to the various programs.

Context: Support should be provided along with the timesheet for allocation to various programs.

Effect: Allocation of payroll expense as related to the various programs could be reported improperly on the general ledger.

Cause: Unknown.

Auditors' Recommendation: Controls over allocation of payroll expenses should be reviewed and support for the allocation should be attached to the employees' timesheet.

RAYS OF SONSHINE

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Finding and Recommendation): Though the back-up documentation for the allocation of payroll is not attached to each employee's individual timesheet, the Company has an allocation plan which is reviewed annually with real-time tracking and job description update. Management developed the allocation plan based upon grantee financial training on OMB cost principles received from SAMHSA in Washington DC, and technical assistance from a large local non-profit. The tracking and verification include after-the-fact determination of each employee's actual activities and encompass the total activities for which employees are compensated. Timesheets signed by the individual employees and verified by a supervisor with first hand knowledge of the employee's activities. Corrective Plan: Management appreciates the clarification regarding documentation of its processes and is revising its procedures to provide for the placement of a copy of the allocation plan with the timesheet records.

Section III – Federal Awards Findings and Questioned Costs

There were no current findings or questioned costs noted for the year ended December 31, 2011.

RAYS OF SONSHINE

Summary Status of Prior Year Audit Findings

10-01, 09-01 Finding -- Internal Controls

Finding: 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.

Status: Cleared

Previous Response for Finding:

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 breach 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.

RAYS OF SONSHINE

Summary Status of Prior Year Audit Findings

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.

Status: Cleared

Narrative: Corrective action was taken.

10-02 Finding – Federal Funding Compliance and Records

Finding: 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.

Status: Cleared

RAYS OF SONSHINE

Summary Status of Prior Year Audit Findings

Previous Response for Finding:

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.

Narrative: Corrective action was taken.