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**RAYS OF SONSHINE**

**Financial Statements  
For the Year Ended December 31, 2003**

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 9-15-04

**RAYS OF SONSHINE**

**December 31, 2003**

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**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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(A Professional Accounting Corporation)  
CERTIFIED PUBLIC ACCOUNTANTS

Luffey  
Huffman  
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## INDEPENDENT AUDITORS' REPORT

### Board of Directors Rays of Sonshine

We have audited the accompanying statement of financial position of Rays of Sonshine (a not-for-profit organization) as of December 31, 2003 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Rays of Sonshine's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide* published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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 audit provides 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 Rays of Sonshine as of December 31, 2003, and 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.

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern. As discussed in Note 6 to the financial statements, the Organization has suffered recurring losses and has a deficiency in net assets that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Board of Directors  
Rays of Sonshine**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2004, on our consideration of Rays of Sonshine's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



(A Professional Accounting Corporation)

June 24, 2004

**RAYS OF SONSHINE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2003**

**ASSETS**

**Current Assets**

Cash	\$ 2,368
Accounts Receivable	18,712
Total Current Assets	<u>21,080</u>

**Property and Equipment**

Land, Building and Equipment	330,901
Accumulated Depreciation	<u>(42,743)</u>
Total Property and Equipment	<u>288,158</u>

<b>TOTAL ASSETS</b>	<b>\$ <u><u>309,238</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 26,031
Accrued Liabilities	835
Notes Payable	77,371
Capital Lease Payable	1,730
Deferred Revenue	<u>12,045</u>
Total Current Liabilities	118,012

**Long-Term Liabilities**

Notes Payable	212,372
Capital Lease Payable	<u>3,597</u>
Total Long-Term Liabilities	215,969

Total Liabilities	333,981
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**Net Assets**

Unrestricted Accumulated Deficit	<u>(24,743)</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u><u>309,238</u></u></b>
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The accompanying notes are an integral part of this financial statement.

**RAYS OF SONSHINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Changes in Unrestricted Net Assets**

Support:

Contributions	\$	65,256
Grants		206,470
State Revenues		5,346
Program Service Fees		214,887
Other Income		2,033
Interest Income		13
Total Unrestricted Support		494,005

Expenses:

Program Services:

Outreach		8,728
Manna Pantry		207,088
Sonshine Heights		6,604
The Mission		11,881
R.E.A.P.		62,945
Manna Express		9
Recovery Outreach Clinic		160,204
Sonshine Heights for Ladies		697
Women's Halfway House		25,894
Kitchen		4,892
Total Program Services		488,942

Supporting Services

Fund Raising		8,254
Management and General		44,630
Total Supporting Services		52,884
Total Expenses		541,826

**Decrease in Unrestricted Net Assets** (47,821)

**Net Assets at Beginning of Year** 23,078

**NET ASSETS AT END OF YEAR** \$ (24,743)

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

**RAYS OF SONSHINE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Program Services					
	ROS Outreach	Manna Pantry	Sonshine Heights	The Mission	ROS R.E.A.P.	Manna Express
Automobile	\$ -	\$ -	\$ 31	\$ -	\$ 3,186	\$ -
Alarm System	-	-	-	-	432	-
Bank Service Charge	-	-	-	-	171	-
Contract Labor	-	50	-	50	-	-
Contributions	500	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Health Screenings	-	-	-	-	65	-
Insurance	-	26	179	180	1,800	9
Interest Expense	-	-	-	-	58	-
Licenses and Permits	-	-	-	295	69	-
Marketing and Promotion	-	-	-	-	80	-
Meetings, Conferences, and Conventions	-	-	-	-	270	-
Membership Fees	-	-	-	260	-	-
Miscellaneous	4,633	-	-	-	4,221	-
Office Expenses	178	-	-	-	2,223	-
Pest	-	-	190	-	-	-
Printing	-	-	-	-	607	-
Postage	-	-	-	82	1,903	-
Program Expense	24	147	111	350	1,100	-
Professional Fees	-	-	325	-	1,556	-
Repairs & Maintenance	341	-	500	1,458	1,433	-
Salaries, Wages & Benefits	-	2,710	-	-	30,309	-
Special Assist to Individuals	971	-	2,061	-	300	-
Supplies-Program	148	191	-	386	4,142	-
Supplies-Food	-	203,894	287	-	1,079	-
Taxes	-	-	-	-	-	-
Telephone	-	-	38	801	3,130	-
Travel and Entertainment	134	-	-	-	-	-
Training	-	-	-	-	809	-
Utilities	1,799	70	2,882	8,019	4,002	-
<b>Total Expense</b>	<b>\$ 8,728</b>	<b>\$ 207,088</b>	<b>\$ 6,604</b>	<b>\$ 11,881</b>	<b>\$ 62,945</b>	<b>\$ 9</b>

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

					Supporting Services		
Recovery Outreach Clinic	Sonshine Heights - Ladies	Women's Half-Way House	Kitchen	Total Program Services	Fund Raising	Management & General	Total
\$ -	\$ -	\$ -	\$ -	\$ 3,217	\$ -	\$ -	\$ 3,217
-	-	-	-	432	-	-	432
-	-	-	-	171	-	-	171
-	-	200	-	300	-	-	300
-	-	-	-	500	-	-	500
-	-	-	-	-	-	10,892	10,892
-	-	-	-	65	-	-	65
-	-	130	-	2,324	-	8,151	10,475
-	-	13,133	-	13,191	-	549	13,740
-	-	1,987	-	2,351	-	-	2,351
-	-	140	-	220	8,099	-	8,319
-	-	-	-	270	-	-	270
-	-	-	-	260	-	-	260
-	-	796	-	9,650	-	62	9,712
-	-	521	-	2,922	-	-	2,922
-	100	100	200	590	-	-	590
-	-	-	-	607	-	2,188	2,795
-	-	19	-	2,004	-	173	2,177
-	-	634	-	2,366	-	-	2,366
159,572	-	400	280	162,133	-	11,583	173,716
67	22	3,545	141	7,507	-	951	8,458
-	-	230	1,668	34,917	-	6,240	41,157
-	200	328	-	3,860	-	-	3,860
-	-	510	-	5,377	-	805	6,182
-	-	384	2,533	208,177	-	-	208,177
-	-	181	-	181	-	-	181
565	-	98	-	4,632	-	2,282	6,914
-	-	-	-	134	155	-	289
-	-	-	-	809	-	-	809
-	375	2,558	70	19,775	-	754	20,529
<u>\$ 160,204</u>	<u>\$ 697</u>	<u>\$ 25,894</u>	<u>\$ 4,892</u>	<u>\$ 488,942</u>	<u>\$ 8,254</u>	<u>\$ 44,630</u>	<u>\$ 541,826</u>

**RAYS OF SONSHINE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Cash Flows From Operating Activities</b>	
Decrease in Net Assets	\$ (47,821)
Adjustments to Reconcile Decrease in Net Assets to Net Cash	
Used by Operating Activities:	
Depreciation	10,892
Receipt of Donated Assets	(7,488)
Changes in Assets and Liabilities:	
Accounts Receivable	(18,712)
Deposits	60
Accounts Payable	18,270
Accrued Liabilities	835
Deferred Revenue	12,045
Net Cash Used By Operating Activities	<u>(31,919)</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of Property, Plant, and Equipment	(149,494)
Net Cash Used in Investing Activities	<u>(149,494)</u>
<b>Cash Flows From Financing Activities:</b>	
Proceeds of Short-Term Debt	59,940
Proceeds of Long-Term Debt	116,461
Payment on Long-Term Debt	(14,114)
Payment on Capital Lease	(1,584)
Net Cash Provided from Financing Activities	<u>160,703</u>
<b>Decrease in Cash</b>	(20,710)
<b>Beginning Cash</b>	<u>23,078</u>
<b>Ending Cash</b>	<u>\$ 2,368</u>
<b>Non-cash transactions for 2003 are as follows:</b>	
<b>Operating Activities:</b>	
Donations of Supplies	3,270
Donations of Food by Food Bank	202,313
Total Operating Activities	<u>205,583</u>
<b>Investing Activities:</b>	
Donation of Furniture and Fixtures	7,488
<b>Financing Activities:</b>	
Refinance Long-Term Debt	121,375
Total Non-Cash Transactions	<u>\$ 334,446</u>
<b>Cash Paid for Interest</b>	<u>\$ 13,740</u>

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

**Rays of Sonshine**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2003**

**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.

**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 Statement of Financial Accounting Standards (SAFS) 117, "Financial Statements of Not-For-Profit Organizations", 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 with the SAFS No 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence of donor-imposed restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in temporarily restricted or permanently restricted net assets.

*(C) Donated Services:*

Members, agencies, business firms, 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 effort under SFAS No. 116 has 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.

**Rays of Sonshine**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2003**

*(E) Property, Plant and Equipment*

Property, plant and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. Depreciation is computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	Years
Buildings	30
Furniture and Equipment	3-10
Vehicles	3

*(F) 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.

*(G) Programs*

The Organization's principal programs and primary funding sources are:

**Outreach** – Building strong, healthy lives through establishing personal identity based on Biblical truths. Donations are the primary funding source.

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

**Sonshine Heights** – The headquarters for all the organization's activities. This is a men's shelter available for those in crisis situations. Donations are the primary funding source.

**The Mission** – Provides ministry services for those in crisis situations. Donations are the primary funding source.

**R.E.A.P. (Overcomers)** – Classes available to anyone in the community attempting to rebuild life and/or overcome destructive personal habits. Donations are the primary funding source.

**Manna Express** – A portable meal service to take hot meals and messages of hope to depressed areas of the community. Donations are the primary funding source.

**Rays of Sonshine**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2003**

Recovery Outreach Clinic – This is a substance abuse recovery clinic that serves clients that have been convicted of drug abuse. The funds for this clinic are provided through a contract with the Fourth Judicial District Drug Court.

Ladies Sonshine Heights and Ladies Halfway House – These are shelters that provide housing to women in crisis situations. This is funded primarily through donations and a contract with the Louisiana Department of Health and Hospitals.

The Kitchen - This is a food preparation program to provide meals for those individuals living in the Organization's half-way houses. This is funded primarily through donations.

*(H) 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.

*(I) 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.

*(J) Grants*

The Organization receives commodities as a pass-through grant from the United States Department of Agriculture. The value of these commodities is based on an average cost per pound. The average cost per pound is determined from a published report by the United States Department of Agriculture.

**Note 3 – Property and Equipment**

Property and Equipment consisted of the following at December 31, 2003:

**Rays of Sunshine**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2003**

Land	\$ 54,000
Buildings	215,301
Building Improvements	10,797
Vehicle	7,114
Equipment	19,324
Furniture and Fixtures	20,150
Manna Express Under Construction	4,215
Less: Accumulated Depreciation	<u>(42,743)</u>
 NET PROPERTY AND EQUIPMENT	 <u>\$ 288,158</u>

Depreciation charged to expense for 2003 was \$10,892.

**Note 4 - Notes Payable**

Notes payable consisted of the following at December 31, 2003:

Unsecured Note Payable Line of Credit due to Bank One with an interest of 2% over bank prime which was 4% at December 31, 2003, due September 30, 2004.	\$ 59,940
Mortgage due Bank One with a 5.75% interest rate and is secured by real estate. Payments are currently made at \$1,850.28 monthly, due May 21, 2008	216,042
Notes Payable to Stoney Ridge Investment, LLC for the purchase of real estate bearing an effective interest rate of 5.75%, due July 2006, secured by real estate.	<u>13,761</u>
Total	<u>\$ 289,743</u>

**Rays of Sonshine  
Notes to Financial Statements  
For the Year Ended December 31, 2003**

The aggregate principle payments of indebtedness maturing during the next five years are as follows: 2004 - \$77,371; 2005 - \$15,438; 2006 - \$13,486; 2007 - \$10,836; and 2008 - \$11,210.

**Note 5 - Capital Lease Obligations**

The Organization was obligated at December 31, 2003 for a capital lease for the purchase of copiers totaling \$8,590. At December 31, 2003 future minimum lease payments under capital lease obligations are as follows:

Year	Amount
2004	2,133
2005	2,133
2006	1,777
	6,043
Less Amount Representing Interest	(716)
Net Present Value of Future Minimum Lease Payments	\$ 5,327

**Note 6 - Uncertainty Going Concern**

As shown in the accompanying financial statements, the Organization incurred a decrease in net assets of over \$47,000 during 2003 and as of December 31, 2003 has a deficit in net assets of over \$24,000. The Organization highly dependent on public donations along with certain grants and other local revenue.

The Finance Committee of the Organization has met to discuss ways whereby the Organization might improve its financial position and results of operations so that it might continue as a going concern. Plans are being explored to increase public awareness and donation and to provide expanded services to various targeted groups. An internal prevention business will begin August 25, 2004 involving the offer of random drug screening. A contract has already been secured to begin. In addition, financing alternatives are being investigated involving the Organization's principal leader.

If the Finance Committee of the Organization determines that there is a need to cut back on programs in order to restructure the direction, the residential clinical program would revert back to a transitional living for 16 to 18 individuals paying from \$75 to \$100 per week to live on-site. There is a major need in our eight parish region for this type of transitional living for recovering individuals. The funds generated from this service would be enough to cover the mortgages and monthly expenses. The Executive Director and the Administrator would continue to provide pastoring services. Any "staff" that

**Rays of Sunshine**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2003**

stayed would be as volunteers. Any services offered would not involve the hiring of staff, but would involve charging an individual for counseling, etc.

However, there is no certainty the Organization can amend its operations and/or receive financing alternatives on favorable terms and conditions. The financial statements do not include any adjustments that might be necessary should the Organization be unable to continue as a going concern.

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

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
GENERAL PURPOSE 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, Inc** (a not-for-profit organization) (the Organization), as of December 31, 2003 and for the year then ended, and have issued our report thereon dated June 24, 2004. In our report, our opinion was qualified because the Organization has suffered recurring losses and has a deficiency in net assets that raises substantial doubt about its ability to continue as a going concern. We conducted our audit 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 the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**Compliance**

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. However, we noted certain matters

**Board of Directors  
Rays of Sonshine.  
Monroe, Louisiana**

involving the internal control over financial reporting and operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting, that in our judgement, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as 03-01 and 03-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the reportable conditions mentioned above to be material weaknesses.

This report is intended solely for the information and use of the Organization's Board of Directors, management and others within the organization, other entities granting funds to the Organization and the Legislative Auditor for the State of Louisiana. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

**June 24, 2004**

**RAYS OF SONSHINE  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Findings Related to the Financial Statements that are required to be reported under  
*Government Auditing Standards:***

**03-01 State of Accounting Records and Reporting Function**

***Finding:***

As reported in the prior year audit, we determined that Rays of Sonshine (the Organization) lacked the ability to produce financial statements in an accurate and timely manner, both for purposes of external financial reporting and internal decision making. During the current year some progress has been made in the accounting and reporting function. However, improvements still need to be made.

Examples of items that indicated needed improvement are as follows:

1. During the year, the Organization changed banks and closed the checking accounts but when the journal entries were prepared they left a negative balance of \$2,041 remaining on the general ledger bank accounts.
2. Receipts were written for non-cash contributions given during the year which amounted to \$10,758. Entries were not made to record these donations on the general ledger.
3. The cost of major improvements to a new half-way house totaling \$4,789 was expensed instead of capitalized. Also, the purchase of three vehicles totaling \$5,114 was expensed.
4. Commodities totaling \$202,313 were received by the Organization from the Northeast Louisiana Food Bank during the year. The value of these commodities was not recorded on the general ledger.
5. Amounts due at year end from the Fourth Judicial Drug Court of \$15,775 and the Department of Health and Hospitals of \$5,346 were not recorded. Also, amounts owed to others at year end totaling \$19,174 were not recorded.
6. Resident's funds deposited with the Organization for safekeeping were recorded as revenues rather than payables. Payments made from these funds were recorded as expenses rather than being charged back against the payable.

We realize that volunteers handle the accounting of the organization. The entries required to correct these and other accounting matters indicates that supervisory review of account balances and timely reconciliation of balance sheet accounts is inadequate. This situation in the accounting function, increases the risk that decision-making personnel may be provided with inaccurate or incomplete information. In addition, it increases the risk of misappropriation of assets and/or the risk that errors or irregularities in amounts material to the Organization's financial position or results of operations

**RAYS OF SONSHINE  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

could occur and go undetected by employees in the normal course of performing their assigned functions.

It is apparent that, even though the current accounting staff is diligent in performing their operational duties and responsibilities, they are not adequately educated, trained or knowledgeable in accounting. Therefore, the preparation of reliable and relevant financial statements and reports is not reasonably possible.

**Recommendation –**

All balance sheet accounts should be reconciled each month. Income and expense accounts should also be reviewed for obvious errors or omissions.

Management should consider hiring or engaging a properly trained qualified accountant or other professional to institute a system that is capable of producing complete, accurate, and timely financial data on which management can rely for making decisions.

**Management's Corrective Action Plan –**

Management has sought further help to strengthen its accounting of the Organization. First, it will continue to work with a local CPA to review the financial records on an as needed basis. Second it has also sought outside assistance of a CPA/MBA to provide further assistance on its Board of Directors to oversee and ensure that all corrective actions suggested by the audit findings will be implemented in the coming year. The corrective actions expected to be implemented include: (1) reconciling all balance sheet accounts on a monthly basis and preparing all necessary journal entries, (2) preparing journal entries for all in-kind contributions and donations, (3) capitalizing all major expenditures, (4) accruing income and expense at year-end, (5) establishing a "Due to Residents" balance sheet account to track resident's funds, and (6) producing more accurate and timely financial statements to be used by the Board of Directors.

**03-02 Grant Activity**

***Finding:***

As noted in our prior year audit, Rays of Sonshine received commodities from the Northeast Louisiana Food Bank under the Department of Agriculture's Food Donation program on a weekly basis to be distributed to individuals in need, that met the eligibility requirements of the program. The schedule of commodities received provided by the Organization valued the commodities received at an average cost per pound of \$1.56 for a total value of \$339,364. This per-pound cost was provided to them by the Northeast Louisiana Food Bank, from which they receive the commodities. As part of our audit, we consulted the United States Department of Agriculture's website to compare the average cost per pound with the average cost provided by the Organization.

**RAYS OF SONSHINE  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Our test revealed that the schedule of per pound-cost of the commodities received was overstated by approximately \$.63 per pound or \$137,000. We also noted that the receipt of this food was not recorded by the Organization as grant revenue nor was it recorded as an expense of the program when it was distributed. This has resulted in the understatement of both the revenue and expense of the Organization during the year.

**Recommendation –**

We recommend the Organization consult the United States Department of Agriculture's website to determine the average cost per pound of the commodities received on a weekly basis and record these commodities as revenue and expense.

**Management's Corrective Action Plan –**

Management will begin recording a more accurate revenue and expense figure on its monthly financial statements through journal entry which will use the average cost per pound figures provided by the United States Department of Agriculture. This will occur as a part to the response in finding 03-01.

**RAYS OF SONSHINE  
SUMMARY STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**1. 02-01 State of Accounting Records and Reporting Function**

***Finding:***

The Organization lacked the ability to produce financial statements in an accurate and timely manner, both for purposes of external financial reporting and internal decision making.

***Status:***

The Organization has made progress and will continue to implement the recommendations. See management's response to finding 03-01 above.

**2. 02-01F Grant Activity**

***Finding:***

The cost of commodities received from the Northeast Louisiana Food Bank under the Department of Agriculture's Food Donation Program is not being recorded as a revenue or expense when it is distributed.

***Status:***

The Organization is continuing to implement the recommendations. See management response to finding 03-02 above.