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**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**REPORT ON AUDITS OF  
CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 1999 AND 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 DEC 7 1999

**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**JUNE 30, 1999 AND 1998**

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**Bain, Freibaum, Sagona & Co., L.L.P.**  
*Certified Public Accountants and Consultants*

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Gus Freibaum, Jr., CPA\*  
Elliott M. Bain, CPA\*  
Nick O. Sagona, Jr., CPA\*  
David J. Bourg, JD, CPA\*  
William F. Matthew, CPA\*

MEMBER  
American Institute of CPAs  
Society of Louisiana CPAs  
SC International  
(Associates in Principal Cities Worldwide)

\*A Professional Accounting Corporation

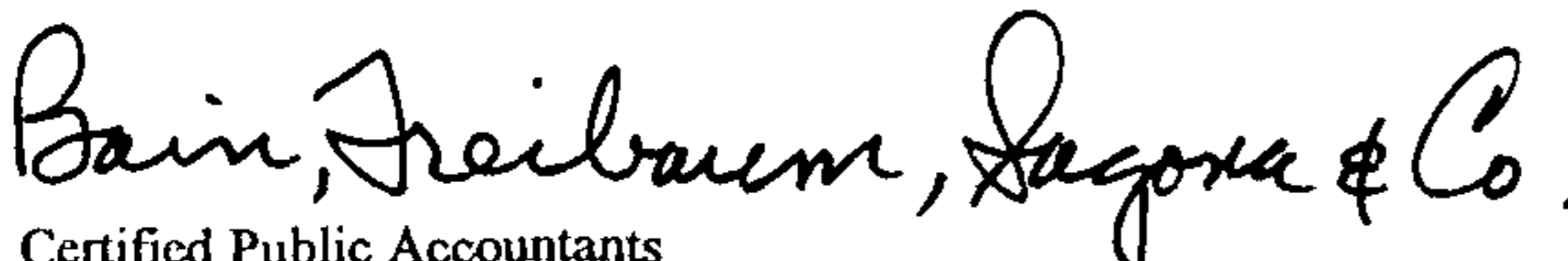
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Raintree Services, Inc.  
New Orleans, Louisiana

We have audited the accompanying consolidated statements of financial position of Raintree Services, Inc. (a non-profit organization) and subsidiary as of June 30, 1999 and 1998, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to in the first paragraph present fairly the financial position of Raintree Services, Inc. and subsidiary at June 30, 1999 and 1998, and the results of their operations and changes in its cash flows for the years then ended, in conformity with generally accepted accounting principles.

  
Certified Public Accountants  
September 29, 1999

**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 205,966	\$ 115,701
Certificate of deposit	1,785	1,785
Service fees receivable	194,783	164,117
Accrued interest receivable	7,542	6,282
Unconditional promises to give	60,000	7,500
Prepaid and other	<u>43,119</u>	<u>31,796</u>
<b>TOTAL CURRENT ASSETS</b>	513,195	327,181
<b>INVESTMENTS</b>	2,316,853	2,069,818
<b>PROPERTY AND EQUIPMENT</b>	<u>185,111</u>	<u>190,117</u>
	<b><u>\$3,015,159</u></b>	<b><u>\$2,587,116</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Due to OCS	\$ 20,933	\$ 20,933
Accounts payable	36,566	19,798
Residents' savings	<u>-</u>	<u>81</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>57,499</u>	<u>40,812</u>
<b>NET ASSETS:</b>		
Unrestricted	2,806,768	2,488,590
Temporarily Restricted	150,892	57,714
Permanently Restricted	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>2,957,660</u>	<u>2,546,304</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$3,015,159</u></b>	<b><u>\$2,587,116</u></b>

See notes to consolidated financial statements.

**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<b>UNRESTRICTED NET ASSETS:</b>		
Revenues and Support:		
Raintree House program	\$ 265,640	\$ 321,797
Therapeutic family care program	400,849	400,946
Drug-free schools program	14,980	25,000
Case management program	221,392	133,097
Private family care program	99,429	142,295
Contributions	103,918	79,048
Investment return	344,143	330,810
Gain on sale of property and equipment	-	11,306
Other	-	364
Net assets released from restrictions	<u>37,545</u>	<u>1,500</u>
<b>TOTAL UNRESTRICTED REVENUE AND SUPPORT</b>	<b><u>1,487,896</u></b>	<b><u>1,446,163</u></b>
 Expenses:		
Raintree House program	293,505	294,535
Therapeutic family care program	345,453	350,942
Drug-free schools program	13,960	23,399
Case management program	189,472	117,749
Private family care program	89,473	107,185
General and administrative	<u>237,855</u>	<u>228,162</u>
<b>TOTAL EXPENSES</b>	<b><u>1,169,718</u></b>	<b><u>1,121,972</u></b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b><u>318,178</u></b>	<b><u>324,191</u></b>
 <b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	129,500	55,623
Investment return	1,223	96
Net assets released from restrictions	<u>(37,545)</u>	<u>(1,500)</u>
<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>93,178</u></b>	<b><u>54,219</u></b>
<b>INCREASE IN NET ASSETS</b>	<b>411,356</b>	<b>378,410</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b><u>2,546,304</u></b>	<b><u>2,167,894</u></b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$2,957,660</u></b>	<b><u>\$2,546,304</u></b>

See notes to consolidated financial statements.

**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 1999**

	Raintree House	Therapeutic Family Care	Drug-Free Schools	Case Management	Private Family Care	General and Administrative	Total
	\$	\$	\$	\$	\$	\$	\$
Advertising and promotion	1,692	341	-	2,161	851	691	5,736
Bank charges	-	-	-	13	-	7,864	7,877
Consultants	3,900	-	-	-	-	-	3,900
Contracted services	-	350	7,073	36,178	525	-	44,126
Dietary expenses	26,778	-	-	-	-	-	26,778
Dues and subscriptions	1,000	700	-	-	200	1,680	3,580
Health insurance	12,053	4,157	-	10,633	1,841	4,575	33,259
Housekeeping and laundry	3,676	-	-	-	-	-	3,676
Insurance	17,150	333	29	714	102	22,062	40,390
Licenses and permits	580	50	-	600	-	-	1,230
Medical	923	10	-	-	-	-	933
Other	918	(401)	-	56	63	9,879	10,515
Parent expenses	-	275,306	-	-	64,838	-	340,144
Payroll taxes	12,139	4,100	464	8,940	1,256	7,232	34,131
Pension and retirement	1,821	1,046	-	1,033	231	1,013	5,144
Personal client needs	8,317	-	-	-	165	-	8,482
Plant operation and maintenance:							
Depreciation	13,391	-	-	-	-	9,789	23,180
Maintenance, buildings and grounds	1,636	-	-	-	-	3,090	4,726
Outside services	763	-	-	-	-	-	763
Repairs, buildings and grounds	5,193	-	-	-	-	4,256	9,449
Repairs, furniture and equipment	2,125	-	-	-	-	2,988	5,113
Supplies	-	-	-	-	-	522	522
Utilities	13,827	-	-	-	-	5,591	19,418
Postage	-	-	-	-	-	3,878	3,878
Printing and office supplies	-	-	-	2,422	-	11,809	14,231
Professional services	310	415	-	612	451	11,852	13,640
Property tax	15	-	-	-	-	-	15
Recreational expenses	5,974	-	-	-	-	-	5,974
Salaries	152,771	53,588	6,063	116,872	16,423	117,538	463,255
Telephone	460	-	-	-	-	6,255	6,715
Therapeutic and training supplies	2,907	2,850	274	1,234	1,636	2,767	11,668
Transportation	2,047	-	-	-	-	-	2,047
Travel and seminars	1,139	2,608	57	8,004	891	2,524	15,223
	<u>\$ 293,505</u>	<u>\$ 345,453</u>	<u>\$ 13,960</u>	<u>\$ 189,472</u>	<u>\$ 89,473</u>	<u>\$ 237,855</u>	<u>\$ 1,169,718</u>

See notes to financial statements.

**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 1998**

	Raintree House	Therapeutic Family Care	Drug-Free Schools	Case Management	Regular Family Care	General and Administrative	Total
	\$	\$	\$	\$	\$	\$	\$
Advertising and promotion	555	-	-	841	454	191	2,041
Bank charges	-	-	-	-	-	5,292	5,292
Consultants	3,210	-	-	-	-	-	3,210
Contracted services	-	240	17,229	3,497	-	-	20,966
Dietary expenses	27,968	-	-	-	-	-	27,968
Dues and subscriptions	-	500	-	-	-	450	950
Health insurance	12,196	4,759	-	7,210	2,670	6,727	33,562
Housekeeping and laundry	3,187	-	-	-	-	-	3,187
Insurance	15,335	333	23	580	130	19,926	36,327
Licenses and permits	670	75	-	688	115	125	1,673
Medical	954	-	-	-	-	-	954
Other	-	17	-	-	-	3,731	3,748
Parent expenses	-	282,914	-	-	79,515	-	362,429
Payroll taxes	11,306	3,945	345	6,833	1,547	7,957	31,933
Pension and retirement	999	1,031	-	567	141	1,479	4,217
Personal client needs	10,001	-	-	-	-	-	10,001
Plant operation and maintenance:							
Depreciation	16,711	-	-	324	-	7,913	24,948
Maintenance, buildings and grounds	-	-	-	-	-	4,810	4,810
Outside services	1,433	-	-	-	-	-	1,433
Repairs, buildings and grounds	8,380	-	-	-	-	3,858	12,238
Repairs, furniture and equipment	1,489	-	-	-	-	2,355	3,844
Supplies	194	-	-	-	-	785	979
Utilities	13,390	-	-	-	-	5,151	18,541
Postage	-	-	-	-	-	7,476	7,476
Printing and office supplies	-	-	-	153	-	17,380	17,533
Professional services	-	-	-	-	-	9,465	9,465
Property tax	15	-	-	-	-	-	15
Recreational expenses	3,901	-	-	-	-	-	3,901
Salaries	148,718	51,574	4,508	89,317	20,222	113,154	427,493
Telephone	-	-	-	-	-	4,573	4,573
Therapeutic and training supplies	7,346	2,977	1,139	849	1,786	2,360	16,457
Transportation	6,577	-	-	-	-	-	6,577
Travel and seminars	-	2,577	155	6,890	605	3,004	13,231
	<u>\$ 294,535</u>	<u>\$ 350,942</u>	<u>\$ 23,399</u>	<u>\$ 117,749</u>	<u>\$ 107,185</u>	<u>\$ 228,162</u>	<u>\$ 1,121,972</u>

See notes to financial statements.

**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in Net Assets	\$ 411,356	\$ 378,410
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,180	24,948
(Gains) losses on sales and maturities of investments	(152,867)	(55,842)
Unrealized (gains) losses on investments	(135,931)	(219,777)
(Gains) losses on sales of property and equipment	-	(11,306)
(Increase) decrease in operating assets		
Service fees receivable	(30,666)	(38,129)
Accrued interest receivable	(1,260)	(1,512)
Prepaid and other	(11,323)	(5,153)
Unconditional promises to give	(52,500)	(7,500)
Increase (Decrease) in operating liabilities		
Accounts payable	16,768	4,144
Resident's savings	<u>(81)</u>	<u>(48)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>66,676</u>	<u>68,235</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(316,585)	(379,119)
Proceeds from sales and maturities of investments	358,348	186,267
Purchases of property and equipment	(18,174)	(41,746)
Proceeds from sales of property and equipment	<u>-</u>	<u>11,306</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>23,589</u>	<u>(223,292)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	90,265	(155,057)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>115,701</u>	<u>270,758</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 205,966</u>	<u>\$ 115,701</u>

See notes to consolidated financial statements.



**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 1999 AND 1998**

**A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of activities**

Raintree Services, Inc. (the "Agency") a non-profit organization incorporated under the laws of the State of Louisiana, provides services and support to children through young adults in the community. The Agency provides these services through five programs: The Raintree House Program, The Therapeutic Family Care Program (formerly Raintree Family Care Program), the Case Management Program, the Drug-free Schools Program, and the Regular Family Care Program. The majority of funding for the Raintree House Program, the Therapeutic Family Care Program, the Case Management Program, and the Regular Family Care Program is through contracted rates with various agencies in the State of Louisiana for services provided. For the years ended June 30, 1999 and 1998, the Agency received a sub-grant funded by the Federal Government from the Governor's Council on Drug-free Schools and Communities.

**Principles of consolidation**

The consolidated financial statements include the accounts of the Agency and its wholly-owned subsidiary, Raintree Case Management, LLC. All significant intercompany balances and transactions between the Association and its wholly-owned subsidiary have been eliminated.

**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.

**Cash and cash equivalents**

For the purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Service fees receivable**

Service fees receivable consists primarily of amounts due from various governmental agencies. All accounts are considered fully collectible by management. Accordingly, no provision for doubtful accounts is considered necessary.

**Unconditional promises to give**

The Agency records certain promises to give as revenue when the promise is made. These contributions do not require the Agency to meet any conditions and are expected to be received with one year. Management considers these amounts to be fully collectible. Accordingly, no provision for doubtful accounts is considered necessary.

(Continued)

**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 1999 AND 1998**

(Continued)

**A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -**  
(Continued)

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

**Property and equipment**

Property and equipment acquired prior to 1979, which primarily consists of the land and building, are recorded at their appraised fair market value at June 30, 1979 because historical costs were not available. Other items of property and equipment are recorded at fair market value at date of donation, if donated, and at cost, if purchased. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

**Revenue recognition**

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets and are reclassified to unrestricted net assets if and when the restriction expires.

Donated materials and equipment are recorded as contributions at their estimated values at date of receipt. Donated services have not been reflected in the financial statements since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donate significant amounts of their time in the Agency's program and supporting services.

**Income taxes**

The Agency has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, and therefore, is not subject to income tax.

**Advertising**

The Agency follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$5,736 and \$2,041 for the years ended June 30, 1999 and 1998, respectively.

(Continued)

**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 1999 AND 1998**

(Continued)

**B. TEMPORARY CASH INVESTMENTS**

Included in cash and cash equivalents are temporary cash investments summarized as follows:

	<u>1999</u>	<u>1998</u>
The Reserve Fund, Inc.; Primary Fund	\$ 70,558	\$24,812
The Reserve Fund, Inc.; Primary Fund Endowment Account	6,488	4,096
The Reserve Fund, Inc.; Primary Fund Restoration Fund	<u>68,315</u>	<u>2,091</u>
	<u>\$145,361</u>	<u>\$30,999</u>

Amounts in the endowment account are designated by the Board of Directors for capital investments. The Board retains control over and may at its discretion subsequently use these funds for other purposes.

**C. INVESTMENTS**

At June 30, 1999 and 1998, marketable securities consisted of the following:

	<u>1999</u>			<u>1998</u>		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain(Loss)</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain(Loss)</u>
Stocks -						
Undesignated	\$ 173,805	\$ 518,027	\$ 344,222	\$ 291,770	\$ 640,986	\$349,216
Designated	586,495	1,320,366	733,871	534,783	1,119,696	584,913
Bonds - (Corporate)						
Undesignated	<u>486,815</u>	<u>478,460</u>	<u>(8,355)</u>	<u>309,458</u>	<u>309,136</u>	<u>(322)</u>
	<u>\$1,247,115</u>	<u>\$2,316,853</u>	<u>\$1,069,738</u>	<u>\$1,136,011</u>	<u>\$2,069,818</u>	<u>\$933,807</u>

(Continued)

**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 1999 AND 1998**  
(Continued)

C. **INVESTMENTS** – (Continued)

Investment return included in the statements of activity is summarized as follows:

	<u>1999</u>	<u>1998</u>
<b>UNRESTRICTED:</b>		
Interest	\$ 27,314	\$ 26,945
Dividends	27,791	28,029
Royalties	240	218
Gains on sales and maturities	152,867	55,842
Unrealized gains	<u>135,931</u>	<u>219,776</u>
	<u>344,143</u>	<u>330,810</u>
<b>RESTRICTED:</b>		
Interest	<u>1,223</u>	<u>96</u>
<b>TOTAL INVESTMENT RETURN</b>	<b><u>\$345,366</u></b>	<b><u>\$330,906</u></b>

Gains totaling \$153,848 and losses totaling \$981 were realized on the sales and maturities of investments during 1999 on net proceeds of \$358,348 and a net book value of \$205,481. Gains totaling \$57,806 and losses totaling \$1,964 were realized on the sales and maturities of investments during 1998 on net proceeds of \$186,267 and a net book value of \$130,425.

D. **PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 90,000	\$ 90,000
Buildings and improvements	604,540	604,540
Furniture and equipment	188,251	179,863
Construction in progress	<u>9,786</u>	<u>-</u>
	892,577	874,403
Less accumulated depreciation	<u>707,466</u>	<u>684,286</u>
	<b><u>\$185,111</u></b>	<b><u>\$190,117</u></b>

(Continued)

**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 1999 AND 1998**

(Continued)

**E. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following specific purposes:

	<u>1999</u>	<u>1998</u>
Equipment purchase	\$ 305	\$ 1,000
Building restoration	118,529	2,091
Case management program expenses	8,352	29,749
Regular family care program expenses	19,206	24,874
Cultural enrichment project	<u>4,500</u>	<u>-</u>
	<u>\$150,892</u>	<u>\$57,714</u>

**F. PENSION PLAN**

Substantially all of the employees of Raintree Services, Inc. are covered by a money purchase annuity pension plan. The Agency's policy has been to fund the annuities monthly. Pension plan contributions for the years ended June 30, 1999 and 1998 were \$5,144 and \$4,217, respectively.

**G. CREDIT RISK**

The Agency has invested \$145,361 at June 30, 1999 and \$227,498 at June 30, 1998 in a money market fund. Under the provisions of Financial Accounting Standards Statement No. 105, the Agency is exposed to a concentration of credit risk in those same amounts which are not insured by federal deposit insurance.

**H. ECONOMIC DEPENDENCY**

The Agency receives approximately 85% of its program revenues through the State of Louisiana, Department of Social Services in the form of a per diem rate set by this office. Should the contracted services be discontinued or the per diem contract rate be substantially reduced, the Agency would be required to look to other sources of funding in order to maintain its present level of service.

During the year ended June 30, 1999, approximately 55% of contributions recorded as income was received from a single donor. During the year ended June 30, 1998, there were no individual donors that were deemed to be significant.

(Continued)

**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 1999 AND 1998**

(Continued)

**J. DESIGNATION OF NET ASSETS**

Included in net assets are amounts designated as endowment funds which are to be used for capital improvements. The Board retains control over and may at its discretion subsequently use these funds for other purposes. Activity of the endowment consists of the following:

	<u>1999</u>	<u>1998</u>
Beginning balance	\$1,123,792	\$ 949,130
Income recognized	210,486	209,218
Contributions received	4,955	630
Distributions	(12,186)	(35,000)
Foreign taxes	<u>(192)</u>	<u>(186)</u>
Ending balance	<u>\$1,326,855</u>	<u>\$1,123,792</u>

**K. SUMMARIZED INFORMATION OF WHOLLY-OWNED SUBSIDIARY**

Raintree Case Management, LLC (the "subsidiary") was organized in August 1998 for the purpose of contracting with the State of Louisiana Department of Health and Hospitals to provide case management services to mentally retarded, developmentally disabled, adult disabled, elderly, infants and toddlers and HIV participants. The subsidiary is currently contracted to provide these services through February 2002.

The following summarizes financial position and operations as of and for the year ended June 30, 1999.

<b>ASSETS:</b>	
Cash	\$ 88
Accounts receivable	27,063
Prepaid and other	<u>8,168</u>
	<u>\$ 35,319</u>
<b>LIABILITIES AND NET ASSETS:</b>	
Accounts payable	\$ 25,812
Net assets	<u>9,507</u>
	<u>\$ 35,319</u>

(Continued)

**RAINTREE SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 1999 AND 1998**  
(Continued)

K. **SUMMARIZED INFORMATION OF WHOLLY-OWNED SUBSIDIARY -- (Continued)**

REVENUES:	
Fees for services	\$ <u>88,769</u>
EXPENSES:	
Contract services	79,250
Bank charges	<u>13</u>
	<u>79,263</u>
INCREASE IN NET ASSETS	9,506
CONTRIBUTION FROM MEMBER	<u>1</u>
ENDING NET ASSETS	\$ <u>9,507</u>

**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEARS ENDED JUNE 30, 1999 AND 1998**

We have audited the consolidated financial statements of Raintree Services, Inc. and subsidiary as of and for the year ended June 30, 1999, and have issued our report thereon dated September 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the consolidated financial statements as of June 30, 1999 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses \_\_\_ Yes X No      Reportable Conditions \_\_\_ Yes X No

Compliance

Compliance Issues Material to Financial Statements \_\_\_ Yes X No

b. Federal Awards - None

c. Identification of Major Programs - None

**Section II Financial Statement Findings - No matters were reported.**

**Section III Federal Award Findings and Questioned Costs - None**



**Bain, Freibaum, Sagona & Co., L.L.P.**  
*Certified Public Accountants and Consultants*

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Gus Freibaum, Jr., CPA\*  
Elliott M. Bain, CPA\*  
Nick O. Sagona, Jr., CPA\*  
David J. Bourg, JD, CPA\*  
William F. Matthew, CPA\*

MEMBER  
American Institute of CPAs  
Society of Louisiana CPAs  
SC International  
(Associates in Principal Cities Worldwide)

\*A Professional Accounting Corporation

**INDEPENDENT AUDITOR'S REPORT**  
**ON COMPLIANCE AND ON INTERNAL CONTROL**  
**BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Raintree Services, Inc. and Subsidiary  
New Orleans, Louisiana

We have audited the consolidated financial statements of Raintree Services, Inc. and subsidiary (a nonprofit organization) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated September 29, 1999. We conducted our audits in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Raintree Services, Inc. and subsidiary'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 audit, we considered Raintree Services, Inc. and subsidiary'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 material weaknesses. 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 noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Directors  
Raintree Services, Inc. and Subsidiary

This report is intended for the information of the Board of Directors, management, the Bureau of Consolidated Educational Programs, Office of Educational Support Programs and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

*Bain, Freibaum, Segora & Co.*

Certified Public Accountants  
September 29, 1999