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RAINTREE SERVICES, INC.

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

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 NOV 18 1998

RAINTREE SERVICES, INC.

JUNE 30, 1998 AND 1997

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

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of the AICPA Division for CPA Firms
Accounting Group International
(Associates in Principal Cities Worldwide)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Raintree Services, Inc. (a non-profit organization) as of June 30, 1998 and 1997, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 financial statements referred to in the first paragraph present fairly the financial position of Raintree Services, Inc. at June 30, 1998 and 1997, and the results of its operations and changes in its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Bain, Freibaum, Sagona & Co.

Certified Public Accountants
October 1, 1998

RAINTREE SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 115,701	\$ 270,758
Certificate of deposit	1,785	1,785
Service fees receivable	164,117	125,988
Accrued interest receivable	6,282	4,770
Unconditional promise to give	7,500	-
Prepaid and other	<u>31,796</u>	<u>26,643</u>
TOTAL CURRENT ASSETS	327,181	429,944
<u>INVESTMENTS</u>	2,069,818	1,601,347
<u>PROPERTY AND EQUIPMENT</u>	<u>190,117</u>	<u>173,319</u>
	<u>2,587,116</u>	<u>2,204,610</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Due to OCS	20,933	20,933
Accounts payable	19,798	15,654
Residents' savings	<u>81</u>	<u>129</u>
TOTAL CURRENT LIABILITIES	<u>40,812</u>	<u>36,716</u>
<u>NET ASSETS:</u>		
Unrestricted	2,488,590	2,164,399
Temporarily Restricted	57,714	3,495
Permanently Restricted	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>2,546,304</u>	<u>2,167,894</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,587,116</u>	<u>\$2,204,610</u>

See notes to financial statements.

RAINTREE SERVICES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
UNRESTRICTED NET ASSETS:		
Revenues and Support:		
Raintree House program	\$ 321,797	\$ 300,568
Therapeutic family care program	400,946	342,492
Drug-free schools program	25,000	14,990
Case management program	133,097	55,645
Regular family care program	142,295	107,775
Contributions	79,048	230,654
Investment return	330,810	407,080
Gain (loss) on sale of property and equipment	11,306	(322)
Other	364	529
Net assets released from restrictions - building restoration	<u>1,500</u>	<u>-</u>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	<u>1,446,163</u>	<u>1,459,411</u>
 Expenses:		
Raintree House program	294,535	283,984
Therapeutic family care program	350,942	300,310
Drug-free schools program	23,399	13,909
Case management program	117,749	68,167
Regular family care program	107,185	92,994
General and administrative	<u>228,162</u>	<u>213,019</u>
TOTAL EXPENSES	<u>1,121,972</u>	<u>972,383</u>
 INCREASE IN UNRESTRICTED NET ASSETS	<u>324,191</u>	<u>487,028</u>
 TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	55,623	-
Investment return	96	154
Net assets released from restrictions - building restoration	<u>(1,500)</u>	<u>-</u>
 INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>54,219</u>	<u>154</u>
 INCREASE IN NET ASSETS	378,410	487,182
 NET ASSETS AT BEGINNING OF YEAR	<u>2,167,894</u>	<u>1,680,712</u>
 NET ASSETS AT END OF YEAR	<u>\$2,546,304</u>	<u>\$2,167,894</u>

See notes to financial statements.

RAINTREE SERVICES, INC
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
	\$ 294,535	\$ 350,942	\$ 23,399	\$ 117,749	\$ 107,185	\$ 228,162	\$ 1,121,972

See notes to financial statements.

RAINTREE SERVICES, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1997

	Raintree House	Therapeutic Family Care	Drug-Free Schools	Case Management	Regular Family Care	General and Administrative	Total
	\$	\$	\$	\$	\$	\$	\$
Advertising and promotion	700	227	-	333	367	165	1,792
Bank charges	-	-	-	-	-	5,457	5,457
Consultants	4,720	-	-	-	-	-	4,720
Contracted services	-	700	12,955	670	2,825	-	17,150
Dietary expenses	24,976	-	-	-	-	-	24,976
Dues and subscriptions	-	500	-	-	-	539	1,039
Health insurance	7,940	4,998	-	3,085	1,833	10,049	27,905
Housekeeping and laundry	2,989	-	-	-	-	-	2,989
Insurance	15,808	347	-	382	139	15,749	32,425
Licenses and permits	933	213	-	135	829	25	2,135
Medical	1,100	-	-	-	-	-	1,100
Other	-	120	319	-	-	5,476	5,915
Parent expenses	-	233,867	-	-	62,400	-	296,267
Payroll taxes	10,336	3,735	-	4,121	1,499	7,919	27,610
Pension and retirement	533	728	-	365	-	1,433	3,059
Personal client needs	9,033	-	-	-	-	-	9,033
Plant operation and maintenance:							
Depreciation	26,333	-	22	324	-	12,774	39,453
Maintenance, buildings and grounds	-	-	-	-	-	3,288	3,288
Outside services	1,984	-	-	-	-	-	1,984
Repairs, buildings and grounds	6,041	-	-	-	-	1,738	7,779
Repairs, furniture and equipment	1,928	-	-	-	-	5,651	7,579
Supplies	33	-	-	-	-	327	360
Utilities	17,894	-	-	-	-	5,753	23,647
Postage	-	-	-	-	-	5,252	5,252
Printing and office supplies	-	-	-	420	-	8,596	9,016
Professional services	-	-	-	-	-	9,936	9,936
Property tax	30	-	-	-	-	-	30
Recreational expenses	3,900	24	-	-	-	-	3,924
Salaries	136,101	48,823	-	53,866	19,915	105,332	364,037
Telephone	-	-	-	-	-	5,094	5,094
Therapeutic and training supplies	6,511	3,365	-	591	1,691	285	12,443
Transportation	4,161	-	-	-	-	-	4,161
Travel and seminars	-	2,663	613	3,875	1,496	2,181	10,828
	<u>\$ 283,984</u>	<u>\$ 300,310</u>	<u>\$ 13,909</u>	<u>\$ 68,167</u>	<u>\$ 92,994</u>	<u>\$ 213,019</u>	<u>\$ 972,383</u>

See notes to financial statements.

RAINTREE SERVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 378,410	\$ 487,182
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,948	39,453
(Gains) losses on sales and maturities of investments	(55,842)	(35,862)
Unrealized (gains) losses on investments	(219,777)	(317,498)
(Gains) losses on sales of property and equipment	(11,306)	322
(Increase) decrease in operating assets		
Service fees receivable	(38,129)	23,589
Accrued interest receivable	(1,512)	(2,638)
Prepaid and other	(5,153)	(23,074)
Unconditional promises to give	(7,500)	-
Increase (Decrease) in operating liabilities		
Accounts payable	4,144	(4,812)
Resident's savings	(48)	8
Payroll taxes payable	-	(1,913)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>68,235</u>	<u>164,757</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(379,119)	(252,980)
Proceeds from sales and maturities of investments	186,267	221,795
Purchases of property and equipment	(41,746)	(4,685)
Proceeds from sales of property and equipment	<u>11,306</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(223,292)</u>	<u>(35,870)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(155,057)	128,887
BEGINNING CASH AND CASH EQUIVALENTS	<u>270,758</u>	<u>141,871</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 115,701</u>	<u>\$ 270,758</u>

See notes to financial statements.

RAINTREE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

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, 1998 and 1997, the Agency received a sub-grant funded by the Federal Government from the Governor's Council on Drug-free Schools and Communities.

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.

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.

(Continued)

RAINTREE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

(Continued)

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

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.

B. TEMPORARY CASH INVESTMENTS

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

	<u>1998</u>	<u>1997</u>
The Reserve Fund, Inc.; Primary Fund	\$24,812	\$105,818
The Reserve Fund, Inc.; Primary Fund Endowment Account	4,096	118,185
The Reserve Fund, Inc.; Primary Fund Restoration Fund	<u>2,091</u>	<u>3,495</u>
	<u>\$30,999</u>	<u>\$227,498</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. 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.

(Continued)

RAINTREE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

(Continued)

D. INVESTMENTS

At June 30, 1998 and 1997, marketable securities consisted of the following:

	1998			1997		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain(Loss)</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain(Loss)</u>
Stocks -						
Undesignated	\$ 291,770	\$ 640,986	\$ 349,216	\$226,059	\$ 499,362	\$273,303
Designated	534,783	1,119,696	584,913	385,076	830,945	445,869
Bonds - (Corporate)						
Undesignated	<u>309,458</u>	<u>309,136</u>	<u>(322)</u>	<u>276,182</u>	<u>271,040</u>	<u>(5,142)</u>
	<u>\$1,136,011</u>	<u>\$2,069,818</u>	<u>\$ 933,807</u>	<u>\$887,317</u>	<u>\$1,601,347</u>	<u>\$714,030</u>

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

	<u>1998</u>	<u>1997</u>
UNRESTRICTED:		
Interest	\$ 26,945	\$ 27,661
Dividends	28,029	25,824
Royalties	218	235
Gains on sales and maturities	55,842	35,862
Unrealized gains	<u>219,776</u>	<u>317,498</u>
	<u>330,810</u>	<u>407,080</u>
RESTRICTED:		
Interest	<u>96</u>	<u>154</u>
TOTAL INVESTMENT RETURN	<u>\$330,906</u>	<u>\$407,234</u>

Included in the above amounts at June 30, 1998 and 1997 are stocks for which the Agency has no cost records. Costs for these stocks has been estimated at \$24,000 as of June 30, 1998 and 1997. Because investments are measured at fair value, any differential between estimated cost and actual cost would have no effect on the basic financial statements.

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. Gains totaling \$35,862 were realized on the sales and maturities of investments during 1997 on net proceeds of \$221,795 and a net book value of \$185,933.

(Continued)

RAINTREE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

(Continued)

E. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>1998</u>	<u>1997</u>
Land	\$ 90,000	\$ 90,000
Buildings and improvements	604,540	604,540
Furniture and equipment	<u>179,863</u>	<u>158,849</u>
	874,403	853,389
Less accumulated depreciation	<u>684,286</u>	<u>680,070</u>
	<u>\$190,117</u>	<u>\$173,319</u>

F. RESTRICTIONS ON NET ASSETS

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

	<u>1998</u>	<u>1997</u>
Equipment purchase	\$ 1,000	\$ -
Building restoration	2,091	3,495
Case management program expenses	29,749	-
Regular family care program expenses	<u>24,874</u>	<u>-</u>
	<u>\$57,714</u>	<u>\$3,495</u>

G. 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, 1998 and 1997 were \$4,217 and \$3,059, respectively.

H. CREDIT RISK

The Agency has invested \$30,999 at June 30, 1998 and \$227,498 at June 30, 1997 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.

(Continued)

RAINTREE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

(Continued)

I. ECONOMIC DEPENDENCY

The Agency receives approximately 85% of its program revenues through the State of Louisiana, Department of Social Services (OCS) 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.

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>1998</u>	<u>1997</u>
Beginning balance	\$ 949,130	\$543,321
Income recognized	209,218	262,184
Contributions received	630	158,850
Distributions	(35,000)	(15,000)
Foreign taxes	<u>(186)</u>	<u>(225)</u>
Ending balance	<u>\$1,123,792</u>	<u>\$949,130</u>

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INDEPENDENT AUDITOR'S REPORT ON
SCHEDULES OF FEDERAL AWARDS

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

We have audited the financial statements of Raintree Services, Inc. (a non-profit organization) for the years ended June 30, 1998 and 1997, and have issued our report thereon dated October 1, 1998. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Federal Awards for the years ended June 30, 1998 and 1997 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Bain, Freibaum, Sagona & Co.

Certified Public Accountants
October 1, 1998

RAINTREE SERVICES, INC.

SCHEDULES OF FEDERAL AWARDS

YEARS ENDED JUNE 30, 1998 AND 1997

	<u>Federal CFDA Number</u>	<u>Program Award</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>Year ended June 30, 1998:</u>				
U.S. Department of Education; Flow through Program Governor of Louisiana Governor's Drug-Free Program	84.146	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>
<u>Year ended June 30, 1997:</u>				
U.S. Department of Education; Flow through Program Governor of Louisiana Governor's Drug-Free Program	84.146	<u>\$ 15,000</u>	<u>\$ 14,990</u>	<u>\$ 14,990</u>

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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.
New Orleans, Louisiana

We have audited the financial statements of Raintree Services, Inc. (a nonprofit organization) as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated October 1, 1998. 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.'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.'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.

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, Lopez & Co.

Certified Public Accountants
October 1, 1998