

RAINTREE SERVICES, INC. AND SUBSIDIARY

**REPORT ON AUDITS OF
CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED JUNE 30, 2002 AND 2001

RAINTREE SERVICES, INC. AND SUBSIDIARY

JUNE 30, 2002 AND 2001

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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, 2002 and 2001, 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 auditing standards generally accepted in the United States 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, 2002 and 2001, and the results of their operations and changes in its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2002, on our consideration of Raintree Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral report 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.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
September 12, 2002

RAINTREE SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2002 AND 2001

<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 200,855	\$ 150,069
Certificate of deposit	87,019	2,189
Service fees receivable	561,434	520,157
Accrued interest receivable	7,166	13,619
Unconditional promises to give	32,510	33,000
Prepaid and other	<u>9,434</u>	<u>25,015</u>
TOTAL CURRENT ASSETS	898,418	744,049
INVESTMENTS	,713,878	1,966,563
PROPERTY AND EQUIPMENT	<u>442,324</u>	<u>456,615</u>
TOTAL ASSETS	<u>\$3,054,620</u>	<u>\$3,167,227</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Due to OCS	\$ 20,933	\$ 20,933
Accounts payable	<u>30,652</u>	<u>19,984</u>
TOTAL CURRENT LIABILITIES	<u>51,585</u>	<u>40,917</u>
NET ASSETS:		
Unrestricted	2,944,825	3,064,610
Temporarily Restricted	<u>58,210</u>	<u>61,700</u>
TOTAL NET ASSETS	<u>3,003,035</u>	<u>3,126,310</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$3,054,620</u>	<u>\$3,167,227</u>

See notes to consolidated financial statements.

RAINTREE SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
UNRESTRICTED NET ASSETS:		
Revenues and Support:		
Raintree House program	\$ 357,138	\$ 320,837
Therapeutic family care program	448,187	483,677
Drug-free schools program	35,000	29,953
Case management program	971,898	943,958
Private family care program	77,108	59,264
Contributions	74,668	79,425
Investment return	(199,829)	(75,864)
Other	10,962	13,657
Net assets released from restrictions	<u>36,000</u>	<u>20,766</u>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	<u>1,811,132</u>	<u>1,875,673</u>
Expenses:		
Raintree House program	397,320	386,840
Therapeutic family care program	392,429	422,693
Drug-free schools program	51,189	28,137
Case management program	763,245	743,760
Private family care program	54,347	56,105
General and administrative	267,486	248,297
Fundraising	<u>4,901</u>	<u>5,794</u>
TOTAL EXPENSES	<u>1,930,917</u>	<u>1,891,626</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(119,785)</u>	<u>(15,953)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	7,000	11,000
United Way Allocations	25,510	25,000
Investment return	-	186
Net assets released from restrictions	<u>(36,000)</u>	<u>(20,766)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(3,490)</u>	<u>15,420</u>
INCREASE (DECREASE) IN NET ASSETS	(123,275)	(533)
NET ASSETS AT BEGINNING OF YEAR	<u>3,126,310</u>	<u>3,126,843</u>
NET ASSETS AT END OF YEAR	<u>\$3,003,035</u>	<u>\$3,126,310</u>

See notes to consolidated financial statements.

RAINTREE SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2002

	Raintree House	Therapeutic Family Care	Drug-Free Schools	Case Management	Private Family Care	General and Administrative	Fundraising	Total
Advertising and promotion	\$ 1,550	\$ 149	\$ -	\$ 1,911	\$ -	7,148	-	\$ -
Bad debts	-	-	-	6,820	-	-	-	-
Bank charges	-	-	-	-	-	7,424	-	-
Consultants	2,865	900	-	-	540	-	-	-
Contracted services	-	-	24,630	750	-	-	-	-
Dietary expenses	26,092	61	-	-	-	-	-	-
Dues and subscriptions	500	700	-	100	200	3,100	-	-
Health insurance	12,603	6,918	-	52,701	786	6,377	-	-
Housekeeping and laundry	5,266	-	-	-	-	-	-	-
Insurance	22,068	-	-	180	-	30,057	-	-
Licenses and permits	573	50	-	1,525	-	327	-	-
Medical	952	11	-	-	-	-	-	-
Other	3,387	15	-	485	-	8,176	-	-
Parent expenses	-	309,127	-	-	41,172	-	-	-
Payroll taxes	15,354	4,639	1,486	42,747	659	9,141	-	-
Pension and retirement	-	-	-	-	-	-	-	-
Personal client needs	7,013	45	-	-	-	-	-	-
Plant operation and maintenance:								
Depreciation	25,449	-	-	3,354	90	7,117	-	36,010
Maintenance, buildings and grounds	2,966	-	-	1,091	-	6,452	-	10,509
Outside services	1,647	-	-	-	-	-	-	1,647
Rent	-	-	-	20,597	-	-	-	20,597
Repairs, buildings and grounds	26,968	-	-	-	-	-	-	26,968
Repairs, furniture and equipment	2,006	-	-	1,787	-	6,328	-	10,121
Supplies	-	-	-	1,607	-	788	-	2,395
Utilities	14,847	-	-	-	-	6,429	-	21,276
Postage	-	-	-	-	-	8,972	363	9,335
Printing and office supplies	126	-	18	10,715	38	20,238	4,538	35,673
Professional services	1,193	138	-	16,481	25	11,467	-	29,304
Property tax	47	-	-	-	-	-	-	47
Recreational expenses	7,643	265	-	-	-	-	-	7,908
Salaries	198,700	60,634	19,427	552,286	8,608	117,928	-	957,583
Telephone	1,783	574	-	19,617	182	5,187	-	27,343
Therapeutic and training supplies	8,517	2,808	5,183	4,416	1,886	2,075	-	24,885
Travel and seminars	7,205	5,395	445	24,075	161	2,755	-	40,036
	<u>\$ 397,320</u>	<u>\$ 392,429</u>	<u>\$ 51,189</u>	<u>\$ 763,245</u>	<u>\$ 54,347</u>	<u>\$ 267,486</u>	<u>\$ 4,901</u>	<u>\$ 1,930,917</u>

See notes to financial statements.

RAINTREE SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2001

	Raintree House	Therapeutic Family Care	Drug-Free Schools	Case Management	Private Family Care	General and Administrative	Fundraising	Total
Advertising and promotion	\$ 2,564	\$ 537	\$ -	\$ 490	\$ 117	\$ 13,756	\$ -	\$ -
Bad debts	-	-	-	22,659	-	-	-	-
Bank charges	-	-	-	24	-	9,051	-	-
Consultants	5,230	2,370	-	-	-	-	-	-
Contracted services	-	-	12,593	1,500	-	-	-	-
Dietary expenses	24,463	342	-	-	-	-	-	-
Dues and subscriptions	500	-	-	100	-	2,518	-	-
Health insurance	13,061	6,629	-	38,222	938	6,503	-	-
Housekeeping and laundry	3,895	-	-	-	-	-	-	-
Insurance	17,117	258	58	1,811	55	24,573	-	-
Licenses and permits	603	50	-	1,200	-	-	-	-
Medical	883	-	-	-	-	-	-	-
Other	1,827	171	-	1,404	70	2,132	-	-
Parent expenses	-	334,399	-	-	38,790	-	-	-
Payroll taxes	14,622	4,882	,010	31,920	988	8,405	-	-
Pension and retirement	106	116	-	283	24	170	-	-
Personal client needs	8,411	-	-	-	-	-	-	-
Plant operation and maintenance:								
Depreciation	24,181	-	-	2,506	-	5,461	-	32,148
Maintenance, buildings and grounds	752	-	-	510	-	5,391	-	6,653
Outside services	1,115	-	-	-	-	-	-	1,115
Rent	-	-	-	13,000	-	-	-	13,000
Repairs, buildings and grounds	49,161	-	-	-	-	488	-	49,649
Repairs, furniture and equipment	3,365	-	-	1,138	-	1,246	-	5,749
Supplies	-	-	-	56	-	2,863	-	2,919
Utilities	19,808	-	-	-	-	8,234	-	28,042
Postage	-	-	-	-	-	7,449	429	7,878
Printing and office supplies	-	-	-	2,896	-	17,034	5,365	25,295
Professional services	460	646	-	162,032	90	10,725	-	173,953
Property tax	63	-	-	-	-	-	-	63
Recreational expenses	6,368	-	-	-	-	4,480	-	10,848
Salaries	174,261	63,767	13,200	422,634	12,920	109,871	-	796,653
Telephone	1,892	1,570	-	14,775	306	3,826	-	22,369
Therapeutic and training supplies	4,997	2,437	1,276	3,679	1,807	1,990	-	16,186
Travel and seminars	7,135	4,519	-	20,921	-	2,131	-	34,706
	<u>\$ 386,840</u>	<u>\$ 422,693</u>	<u>\$ 28,137</u>	<u>\$ 743,760</u>	<u>\$ 56,105</u>	<u>\$ 248,297</u>	<u>\$ 5,794</u>	<u>\$ 1,891,626</u>

See notes to financial statements.

RAINTREE SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$(123,275)	\$ (533)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,919	32,148
(Gains) losses on sales and maturities of investments	(63,877)	(187,802)
Unrealized (gains) losses on investments	326,082	336,234
(Increase) decrease in operating assets:		
Service fees receivable	(41,277)	(182,770)
Accrued interest receivable	6,453	(6,617)
Prepaid and other	15,581	13,455
Unconditional promises to give	490	(25,920)
Increase (Decrease) in operating liabilities		
Accounts payable	<u>10,668</u>	<u>(56,907)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>166,764</u>	<u>(78,712)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(396,464)	(391,372)
Proceeds from sales and maturities of investments	386,944	432,724
Purchases of property and equipment	(21,628)	(54,593)
Investment in certificates of deposit	<u>(84,830)</u>	<u>(404)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(115,978)</u>	<u>(13,645)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,786	(92,357)
BEGINNING CASH AND CASH EQUIVALENTS	<u>150,069</u>	<u>242,426</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 200,855</u>	<u>\$ 150,069</u>

See notes to consolidated financial statements.

RAINTREE SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001

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, 2002 and 2001, 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 accounting principles generally accepted in the United States 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, 2002 AND 2001

(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 \$10,758 and \$17,464 for the years ended June 30, 2002 and 2001, respectively.

(Continued)

RAINTREE SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

(Continued)

B. TEMPORARY CASH INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
The Reserve Fund, Inc.; Primary Fund	\$71,405	\$113,909
The Reserve Fund, Inc.; Primary Fund Endowment Account	<u>13,533</u>	<u>2,595</u>
	<u>\$84,938</u>	<u>\$116,504</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, 2002 and 2001, marketable securities consisted of the following:

	<u>2002</u>			<u>2001</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	\$ 214,376	\$ 332,166	\$117,790	\$ 193,647	\$ 402,432	\$208,785
Designated	645,364	824,102	178,738	628,513	1,054,500	425,987
Bonds - (Corporate)						
Undesignated	<u>547,932</u>	<u>557,610</u>	<u>9,678</u>	<u>512,115</u>	<u>509,631</u>	<u>(2,484)</u>
	<u>\$1,407,672</u>	<u>\$1,713,878</u>	<u>\$306,206</u>	<u>\$1,334,275</u>	<u>\$1,966,563</u>	<u>\$632,288</u>

(Continued)

RAINTREE SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

(Continued)

C. **INVESTMENTS** – (Continued)

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

	<u>2002</u>	<u>2001</u>
UNRESTRICTED:		
Interest	\$ 36,357	\$ 47,638
Dividends	25,919	24,766
Royalties	100	164
Gains on sales and maturities	63,877	187,802
Unrealized gains (losses)	<u>(326,082)</u>	<u>(336,234)</u>
	<u>(199,829)</u>	<u>(75,864)</u>
RESTRICTED:		
Interest	<u> </u>	<u>186</u>
TOTAL INVESTMENT RETURN	<u>\$(199,829)</u>	<u>\$ (75,678)</u>

Gains totaling \$86,624 and losses totaling \$22,747 was realized on the sales and maturities of investments during 2002 on net proceeds of \$386,944 and a net book value of \$323,067. Gains totaling \$190,995 and losses totaling \$3,193 was realized on the sales and maturities of investments during 2001 on net proceeds of \$432,724 and a net book value of \$244,922.

D. **PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows:

	<u>2002</u>	<u>2001</u>
Land	\$ 90,000	\$ 90,000
Buildings and improvements	882,705	878,631
Furniture and equipment	<u>266,812</u>	<u>249,258</u>
	1,239,517	1,217,889
Less accumulated depreciation	<u>797,193</u>	<u>761,274</u>
	<u>\$ 442,324</u>	<u>\$ 456,615</u>

The above includes assets with a cost of \$576,617 that were fully depreciated at June 30, 2002.

(Continued)

RAINTREE SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

(Continued)

E. RESTRICTIONS ON NET ASSETS

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

	<u>2002</u>	<u>2001</u>
Furniture purchase	\$ -	\$ 3,000
Independent Living program	25,700	25,700
Unconditional promises to give	<u>32,510</u>	<u>33,000</u>
	<u>\$58,210</u>	<u>\$61,700</u>

F. CREDIT RISK

Financial instruments that potentially subject the Agency to risk include cash on deposit with financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2002, the Agency's uninsured cash balances totaled \$225,318.

Also, the Agency has invested \$84,938 at June 30, 2002 and \$116,504 at June 30, 2001 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.

G. ECONOMIC DEPENDENCY

During the years ended June 30, 2002 and 2001, the agency received \$882,433 and \$895,522 or approximately 47% and 49% 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.

Additionally, during the years ended June 30, 2002 and 2001, the agency received \$971,898 and \$915,684 or approximately 51% and 50% of its program revenues in the form of Medicaid reimbursements.

(Continued)

RAINTREE SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001
(Continued)

H. 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>2002</u>	<u>2001</u>
Beginning balance	\$1,057,095	\$1,216,456
Income recognized	(221,146)	(101,368)
Contributions received	1,985	5,800
Distributions	-	(64,120)
Foreign taxes	<u>(299)</u>	<u>327</u>
Ending balance	<u>\$ 837,635</u>	<u>\$1,057,095</u>

I. SUMMARIZED INFORMATION OF WHOLLY-OWNED SUBSIDIARY

Raintree Case Management, LLC (the "subsidiary") was organized in August 2001 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, 2002 and 2001.

	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash	\$ 232	\$ 100
Accounts receivable	<u>276,198</u>	<u>196,695</u>
	<u>\$276,430</u>	<u>\$196,795</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$276,429	\$196,794
Net assets	<u>1</u>	<u>1</u>
	<u>\$276,430</u>	<u>\$196,795</u>

(Continued)

RAINTREE SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001
(Continued)

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

	<u>2002</u>	<u>2001</u>
REVENUES:		
Fees for services	\$766,073	\$724,600
EXPENSES:		
Contract services	763,609	693,491
Administrative fees	2,418	31,085
Other	<u>46</u>	<u>24</u>
	<u>766,073</u>	<u>724,600</u>
INCREASE IN NET ASSETS		
BEGINNING NET ASSETS	<u>1</u>	<u>1</u>
ENDING NET ASSETS	<u>\$ 1</u>	<u>\$ 1</u>

RAINTREE SERVICES, INC. AND SUBSIDIARY
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED JUNE 30, 2002 AND 2001

We have audited the consolidated financial statements of Raintree Services, Inc. and subsidiary as of and for the year ended June 30, 2002, and have issued our report thereon dated September 12, 2002. 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, 2002 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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Elliott M. Bain, CPA*
Nick O. Sagona, Jr., CPA*
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MEMBER
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Accounting Group International
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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. 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, 2002 and 2001, and have issued our report thereon dated September 12, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States 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, Treibbaum, Bizon & Co., L.L.P.

Certified Public Accountants
September 12, 2002