

**RAINTREE SERVICES, INC. AND SUBSIDIARY**

**REPORT ON AUDITS OF  
CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2003 AND 2002**

# Raintree Services, Inc. and Subsidiary

Report on Audits of Consolidated  
Financial Statements  
Years Ended June 30, 2003 and 2002

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

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

\*A Professional Accounting Corporation

MEMBER  
American Institute of CPAs  
Society of Louisiana CPAs  
Accounting Group International  
(Associates in Principal Cities)

### **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, 2003 and 2002, 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 Organizations' 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 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, 2003 and 2002, 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 October 2, 2003, 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  
October 2, 2003

## Raintree Services, Inc. and Subsidiary

Consolidated Statements of Financial Position  
June 30, 2003 and 2002

<i>June 30,</i>	2003	2002
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 422,851	\$ 200,855
Certificate of deposit	87,019	87,019
Service fees receivable	356,303	561,434
Accrued interest receivable	5,748	7,166
Unconditional promises to give	31,482	32,510
Prepaid and other	41,954	9,434
<b>Total current assets</b>	<b>945,357</b>	<b>898,418</b>
<b>Investments</b>	<b>1,665,084</b>	<b>,713,878</b>
<b>Property and Equipment</b>	<b>449,298</b>	<b>442,324</b>
<b>Total Assets</b>	<b>3,059,739</b>	<b>3,054,620</b>
<b>Liabilities and Assets</b>		
Current Liabilities:		
Due to OCS	20,933	20,933
Accounts payable	26,769	30,652
<b>Total current liabilities</b>	<b>47,702</b>	<b>51,585</b>
Net Assets:		
Unrestricted	2,980,555	2,944,825
Temporarily restricted	31,482	58,210
<b>Total net assets</b>	<b>3,012,037</b>	<b>3,003,035</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,059,739</b>	<b>\$ 3,054,620</b>

*See notes to consolidated financial statements*

## Raintree Services, Inc. and Subsidiary

Consolidated Statements of Activities  
June 30, 2003 and 2002

<i>June 30,</i>	2003	2002
<b>Unrestricted Net Assets</b>		
Revenues and Support:		
Raintree House program	\$ 375,700	\$ 357,138
Therapeutic family care program	398,500	448,187
Drug-free schools program	178,710	35,000
Case management program	1,224,327	971,898
Private family care program	52,601	77,108
Contributions	71,960	74,668
Investment return	12,815	(199,829)
Other	8,979	10,962
Net assets released from restrictions	58,210	36,000
<b>Total unrestricted revenue and support</b>	<b>2,381,802</b>	<b>1,811,132</b>
Expenses:		
Raintree House program	403,666	397,320
Therapeutic family care program	356,459	392,429
Drug-free schools program	173,145	51,189
Case management program	1,037,472	763,245
Private family care program	57,469	54,347
General and administrative	311,784	267,486
Fundraising	6,077	4,901
<b>Total Expenses</b>	<b>2,346,072</b>	<b>1,930,917</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>35,730</b>	<b>(119,785)</b>
Temporarily Restricted Net Assets:		
Contributions	7,000	7,000
United Way	24,482	25,510
Investment return	-	-
Net assets released from restrictions	(58,210)	(36,000)
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>(26,728)</b>	<b>(3,490)</b>
<b>Increase (decrease) in net assets</b>	<b>9,002</b>	<b>(123,275)</b>
<b>Net assets at beginning of year</b>	<b>3,003,035</b>	<b>3,126,310</b>
<b>Net assets at end of year</b>	<b>\$ 3,012,037</b>	<b>\$ 3,003,035</b>

*See notes to consolidated financial statements*

# Raintree Services, Inc. and Subsidiary

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2003

	Raintree House	Therapeutic Family Care	Drug-Free Schools	Case Management	Private Family Care	General and Administrative	Fundraising	Total
Advertising and promotion	\$ 2,442	\$ 330	\$ -	\$ 2,070	\$ 98	\$ 12,463	\$ -	
Bad debts	7,376	1,432	-	36,750	5,421	-	-	
Bank charges	-	-	-	-	-	8,733	-	
Consultants	6,290	540	-	720	450	-	-	
Contracted services	700	-	19,865	7,770	-	-	-	
Dietary expenses	26,731	345	-	-	-	-	-	
Dues and subscriptions	500	500	-	100	-	2,906	-	
Health insurance	15,220	7,864	-	78,896	1,418	4,980	-	
Housekeeping and laundry	4,667	-	-	-	-	-	-	
Insurance	23,067	-	-	1,101	-	43,028	-	
Licenses and permits	500	25	-	1,225	25	-	-	
Medical	1,843	(97)	-	-	(4)	-	-	
Other	2,441	120	-	3,091	226	8,059	-	
Parent expenses	-	266,016	-	-	31,409	-	-	
Payments to participants	-	-	25,038	-	-	-	-	
Payroll taxes	21,714	5,403	6,257	56,139	1,219	10,902	-	
Pension and retirement	-	-	-	-	-	-	-	
Personal client needs	8,100	-	-	-	-	-	-	
Plant operation and maintenance:								
Depreciation	22,003	-	-	5,024	(115)	8,408	-	35,320
Maintenance, buildings and grounds	1,637	-	-	1,313	-	5,424	-	8,374
Outside services	1,321	-	-	-	-	-	-	1,321
Rent	-	-	-	57,885	-	-	-	57,885
Repairs, buildings and grounds	1,763	-	-	-	-	1,717	-	3,480
Repairs, furniture and equipment	3,050	-	-	1,424	-	1,316	-	5,790
Supplies	-	-	-	79	-	1,258	-	1,337
Utilities	16,709	-	-	1,048	-	5,394	-	23,151
Postage	-	-	46	2,743	-	8,668	591	12,048
Printing and office supplies	1,257	-	663	8,976	-	19,451	5,486	35,833
Professional services	897	90	340	575	64	12,543	-	14,509
Property tax	31	-	-	-	-	-	-	31
Recreational expenses	6,769	(205)	-	-	-	-	-	6,564
Salaries	212,966	70,624	86,169	703,360	15,935	142,618	-	1,231,672
Telephone	1,756	1,099	111	25,196	251	7,183	-	35,596
Therapeutic and training supplies	6,111	1,973	34,050	3,026	1,285	3,513	-	49,958
Travel and seminars	5,805	400	606	38,961	(213)	3,220	-	48,779
	<u>\$ 403,666</u>	<u>356,459</u>	<u>\$ 173,145</u>	<u>\$ 1,037,472</u>	<u>\$ 57,469</u>	<u>\$ 311,784</u>	<u>6,077</u>	<u>\$ 2,346,072</u>

See notes to 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 Statements of Cash Flows June 30, 2003 and 2002

<i>June 30,</i>	2003	2002
<b>Cash Flows from Operating Activities:</b>		
Increase (decrease) in net assets	\$ 9,002	\$ (123,275)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,434	35,919
(Gains) losses on sales and maturities of investments	(19,669)	(63,877)
Unrealized (gains) losses on investments	72,100	326,082
(Increase) decrease in operating assets:		
Service fees receivable	205,131	(41,277)
Accrued interest receivable	1,418	6,453
Prepaid and other	(32,520)	15,581
Unconditional promises to give	1,028	490
Increase (decrease) in operating liabilities		
Accounts payable	(3,883)	10,668
<b>Net cash provided (used) by operating activities</b>	<b>268,041</b>	<b>166,764</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(337,089)	(396,464)
Proceeds from sales and maturities of investments	333,452	386,944
Purchases of property and equipment	(42,408)	(21,628)
Investment in certificates of deposit	0	(84,830)
<b>Net cash provided (used) by investing activities</b>	<b>(46,045)</b>	<b>(115,978)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>221,996</b>	<b>50,786</b>
<b>Beginning cash and cash equivalents</b>	<b>200,855</b>	<b>150,069</b>
<b>Ending cash and cash equivalents</b>	<b>\$ 422,851</b>	<b>\$ 200,855</b>

*See notes to consolidated financial statements*

# Raintree Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

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## 1. 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, 2003 and 2002, 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.

*(Continued)*

## Raintree Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2003 and 2002  
(Continued)

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### **Service Fees Receivable**

Service fees receivable consists primarily of unsecured amounts due from various governmental agencies. As of June 30, 2003, balances outstanding more than ninety days amounted to \$108,449. 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.

### **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.

(Continued)

# Raintree Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2003 and 2002

(Continued)

## Revenue Recognition (Continued)

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 \$6,929 and \$3,885 for the years ended June 30, 2003 and 2002, respectively.

## **2. TEMPORARY CASH INVESTMENTS**

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

	2003		2002
The Reserve Fund, Inc.; Primary Fund	\$ 58,089	\$	71,405
The Reserve Fund, Inc.; Primary Endowment Account	47,658		13,533
	\$ 105,747	\$	84,938

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.

(Continued)

## Raintree Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2003 and 2002  
*(Continued)*

### 3. INVESTMENTS

At June 30, 2003 and 2002, marketable securities consisted of the following:

	2003			2002		
	Cost	Market	Unrealized Gain (Loss)	Cost	Market	Unrealized Gain (Loss)
Stocks –						
Undesignated	\$ 247,699	\$ 341,636	\$ 93,937	\$ 214,376	\$ 332,166	\$ 17,790
Designated	650,595	767,679	117,085	645,364	824,102	78,738
Bonds – (Corporate)						
Undesignated	532,684	555,769	23,084	547,932	557,610	9,678
	<b>\$ 1,430,978</b>	<b>\$ 1,665,084</b>	<b>\$ 234,106</b>	<b>\$ 1,407,672</b>	<b>\$ 1,713,878</b>	<b>\$ 306,206</b>

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

	2003	2002
Unrestricted:		
Interest	\$ 34,832	\$ 36,357
Dividends	30,326	25,919
Royalties	88	100
Gains on sales and maturities	19,669	63,877
Unrealized gains (losses)	(72,100)	(326,082)
	<b>12,815</b>	<b>(199,829)</b>
Restricted:		
Interest		
<b>Total Investment Return</b>	<b>\$ 12,815</b>	<b>\$ (199,829)</b>

Gains totaling \$77,135 and losses totaling \$57,466 was realized on the sales and maturities of investments during 2003 on net proceeds of \$333,452 and a net book value of \$313,783. 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.

*(Continued)*

## Raintree Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2003 and 2002  
(Continued)

### 4. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2003	2002
Land	\$ 90,000	\$ 90,000
Buildings and improvements	882,705	882,705
Furniture and equipment	309,220	266,812
	<u>1,281,925</u>	<u>1,239,517</u>
Less accumulated depreciation	832,627	797,193
	<u>\$ 449,298</u>	<u>\$ 442,324</u>

The above includes assets with a cost of \$745,307 that were fully depreciated at June 30, 2003.

### 5. RESTRICTIONS ON NET ASSETS

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

	2003	2002
Independent Living program	\$ -	\$ 25,700
Unconditional promises to give	31,482	32,510
	<u>\$ 31,482</u>	<u>\$ 58,210</u>

### 6. 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, 2003, the Agency's uninsured cash balances totaled \$291,199.

Also, the Agency has invested \$105,747 at June 30, 2003 and \$84,938 at June 30, 2002 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.

(Continued)

## Raintree Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2003 and 2002  
(Continued)

### 7. ECONOMIC DEPENDENCY

During the years ended June 30, 2003 and 2002, the agency received \$826,803 and \$882,433 or approximately 37% and 47% 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, 2003 and 2002, the agency received \$1,224,327 and \$971,898 or approximately 55% and 51% of its program revenues in the form of Medicaid reimbursements.

### 8. COMMITMENTS AND CONTINGENCIES

The Company leases office space under a long-term operating lease requiring monthly payments of \$4,179. The term of the lease is from August 2002 through February 2005. As part of the lease terms, the lessor agreed to waive the rent for August 2002 and August 2003.

Rent expense amounted to \$42,285 for 2003.

The following is a schedule of future minimum lease payments under the above lease:

2004	\$ 47,155
2005	<u>35,238</u>
	<u>\$ 82,393</u>

### 9. 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:

	2003	2002
Beginning balance	\$ 837,635	\$ 1,057,095
Income recognized	(23,309)	(221,146)
Contributions received	586	1,985
Distributions	-	-
Foreign taxes	425	(299)
Ending balance	\$ 815,337	\$ 837,635

(Continued)

## **Raintree Services, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

June 30, 2003 and 2002

*(Continued)*

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### **10. 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 2005.

The following summarizes financial position and operations as of and for the year ended June 30, 2003 and 2002:

*(Continued)*

## Raintree Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2003 and 2002  
*(Continued)*

	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Cash	\$ 173	\$ 232
Accounts receivable	104,114	276,198
<b>Total Assets</b>	<b>104,287</b>	<b>276,430</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	104,286	276,429
<b>Net assets</b>	<b>1</b>	
<b>Total Liabilities and Net Assets</b>	<b>104,287</b>	<b>276,430</b>
<b>Revenues</b>		
Fees for services	986,730	766,073
<b>Expenses</b>		
Contract services	974,931	763,609
Administrative fees	-	2,418
Bad debts	11,772	-
Other	27	46
	<b>986,730</b>	<b>766,073</b>
<b>Increase in net assets</b>		
Beginning net assets	1	1
Ending net assets	\$ 1	\$ 1

# Raintree Services, Inc. and Subsidiary

Schedules of Finding and Questioned Costs  
June 30, 2003 and 2002

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We have audited the consolidated financial statements of Raintree Services, Inc. and subsidiary as of and for the year ended June 30, 2003, and have issued our report thereon dated October 2, 2003. 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, 2003 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	<u>          </u>	Yes	<u>  X  </u>	No
Reportable Conditions	<u>          </u>	Yes	<u>  X  </u>	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*

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

\*A Professional Accounting Corporation

MEMBER  
American Institute of CPAs  
Society of Louisiana CPAs  
Accounting Group International  
(Associates in Principal Cities)

**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, 2003 and 2002, and have issued our report thereon dated October 2, 2003. 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 Controls 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  
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This report is intended for the information of the Board of Directors, management, and 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, Segura & Co., L.L.P.*

Certified Public Accountants  
October 2, 2003