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Financial Report

Raintree Services, Inc.
and Subsidiary

June 30, 2006

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Release Date 11-29-06

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

The Members of the Board of Directors,
Raintree Services, Inc. and Subsidiary,

We have audited the accompanying consolidated statement of financial position of Raintree Services, Inc. (a non-profit organization) and Subsidiary as of June 30, 2006, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the 2005 financial statements, and in our report dated October 12, 2005, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raintree Services, Inc. and Subsidiary as of June 30, 2006, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2006, on our consideration of Raintree Services, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental information (Schedules 1 and 2) is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The supplemental information in the schedule of support, revenue, and expenses prepared for the United Way for the Greater New Orleans Area is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on it.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
September 11, 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**Raintree Services, Inc. and Subsidiary**

June 30, 2006
(with comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 810,926	\$ 595,898
Service fees receivable	289,817	320,758
Accrued interest receivable	7,239	6,301
United Way receivable	-	22,364
Prepaid and other	14,132	76,841
Investments	2,141,603	1,999,893
Property and equipment, net of accumulated depreciation	<u>436,737</u>	<u>462,515</u>
Total assets	<u>\$ 3,700,454</u>	<u>\$ 3,484,570</u>
Liabilities		
Accounts payable	\$ 67,421	\$ 78,380
Accrued vacation	<u>14,154</u>	<u>40,147</u>
Total liabilities	<u>81,575</u>	<u>118,527</u>
Net Assets		
Unrestricted		
Designated for special projects	1,096,851	1,002,219
Undesignated	<u>2,430,431</u>	<u>2,339,347</u>
Total unrestricted net assets	3,527,282	3,341,566
Temporarily restricted	<u>91,597</u>	<u>24,477</u>
Total net assets	<u>3,618,879</u>	<u>3,366,043</u>
Total liabilities and net assets	<u>\$ 3,700,454</u>	<u>\$ 3,484,570</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES**Raintree Services, Inc. and Subsidiary**

For the year ended June 30, 2006
(with comparative totals for 2005)

	2006			2005 Totals
	Unrestricted	Temporarily Restricted	Totals	
Support and Revenues				
Raintree House program	\$ 384,807		\$ 384,807	\$ 406,031
Therapeutic Family Care program	380,787		380,787	373,164
Drug-free Schools program	2,910		2,910	44,335
Case Management program	931,603		931,603	1,447,179
Private Family Care program	29,612		29,612	28,161
Contributions	126,114	\$ 81,663	207,777	79,762
United Way allocations	13,615	9,934	23,549	25,756
Investment income	151,298		151,298	106,307
Hurricane insurance proceeds (net)	34,678		34,678	-
Other income	7,950		7,950	-
Special event income	-		-	71,771
Total support and revenues	2,063,374	91,597	2,154,971	2,582,466
Net assets released from restrictions:				
Expiration of time restrictions and program restrictions satisfied through payments	24,477	(24,477)	-	-
Total revenues, support and net assets released from restrictions	2,087,851	67,120	2,154,971	2,582,466
Expenses				
Program services:				
Raintree House	384,640		384,640	387,487
Therapeutic Family Care	328,740		328,740	332,743
Drug-free Schools	3,207		3,207	55,146
Case Management	752,905		752,905	1,201,331
Private Family Care	23,490		23,490	50,108
General and administrative	408,129		408,129	409,459
Fundraising	1,024		1,024	11,630
Total expenses	1,902,135	-	1,902,135	2,447,904
Change in Net Assets	185,716	67,120	252,836	134,562
Net Assets				
Beginning of year	3,341,566	24,477	3,366,043	3,231,481
End of year	<u>\$ 3,527,282</u>	<u>\$ 91,597</u>	<u>\$ 3,618,879</u>	<u>\$ 3,366,043</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Raintree Services, Inc. and Subsidiary

For the year ended June 30, 2006
(with comparative totals for 2005)

	2006			
	Program Services			
	Raintree House	Therapeutic Family Care	Drug-free Schools	Case Management
Advertising and promotion	\$ 6,268	\$ 1,621	\$ -	\$ 6,906
Bad debts	-	1,026	-	59,547
Bank charges	-	-	-	-
Consultants	2,728	-	-	3,720
Contracted services	2,150	-	500	11,875
Dietary expenses	19,378	-	-	-
Dues and subscriptions	500	250	-	-
Foster care parent expenses	-	263,936	-	-
Health insurance	19,442	7,938	-	64,235
Housekeeping and laundry	3,008	-	-	-
Insurance	25,722	242	11	2,865
Licenses and permits	525	25	-	1,225
Medical	1,613	-	-	-
Occupancy:				
Depreciation	23,816	-	-	6,766
Maintenance, buildings and grounds	3,905	-	-	1,583
Outside services	1,572	-	-	-
Rent	-	-	-	29,021
Repairs, buildings and grounds	546	-	-	-
Repairs, furniture and equipment	2,864	-	-	1,251
Supplies	-	-	-	98
Utilities	21,913	-	-	1,613
Other	2,638	108	-	1,722
Payroll taxes	21,134	3,725	156	40,005
Personal client needs	10,630	-	-	-
Postage	-	-	-	2,398
Printing and office supplies	16	-	-	4,862
Professional services	2,148	466	168	2,442
Recreational expenses	5,094	-	-	-
Salaries	194,577	47,391	2,039	459,555
Telephone	1,561	751	-	20,333
Therapeutic and training supplies	4,739	43	333	41
Travel and seminars	6,153	1,218	-	30,842
	<u>\$ 384,640</u>	<u>\$ 328,740</u>	<u>\$ 3,207</u>	<u>\$ 752,905</u>

See notes to consolidated financial statements.

2006					
Program Services					
Private Family Care	Totals	General and Administrative	Fundraising	Totals	2005 Totals
\$ 121	\$ 14,916	\$ 9,096	\$ -	\$ 24,012	\$ 15,807
-	60,573	-	-	60,573	15,076
-	-	7,620	-	7,620	8,474
-	6,448	4,972	-	11,420	16,792
-	14,525	-	-	14,525	39,221
-	19,378	-	-	19,378	21,667
250	1,000	3,507	-	4,507	5,160
14,692	278,628	-	-	278,628	253,228
575	92,190	12,095	-	104,285	149,654
-	3,008	-	-	3,008	5,216
23	28,863	56,534	-	85,397	82,195
740	2,515	-	-	2,515	1,852
-	1,613	-	-	1,613	1,859
-	30,582	14,081	-	44,663	41,710
-	5,488	6,808	-	12,296	11,274
-	1,572	-	-	1,572	525
-	29,021	-	-	29,021	69,257
-	546	-	-	546	2,725
-	4,115	1,378	-	5,493	5,391
-	98	582	-	680	935
-	23,526	6,788	-	30,314	26,165
3,052	7,520	24,974	-	32,494	49,426
284	65,304	14,262	-	79,566	101,151
-	10,630	-	-	10,630	9,145
-	2,398	2,705	-	5,103	9,725
-	4,878	12,512	1,024	18,414	47,516
-	5,224	16,830	-	22,054	21,826
-	5,094	-	-	5,094	6,757
3,500	707,062	196,901	-	903,963	1,296,207
35	22,680	12,595	-	35,275	40,598
42	5,198	379	-	5,577	22,444
176	38,389	3,510	-	41,899	68,926
<u>\$ 23,490</u>	<u>\$ 1,492,982</u>	<u>\$ 408,129</u>	<u>\$ 1,024</u>	<u>\$ 1,902,135</u>	<u>\$ 2,447,904</u>

CONSOLIDATED STATEMENT OF CASH FLOWS**Raintree Services, Inc. and Subsidiary**

For the year ended June 30, 2006
(with comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 252,836	\$ 134,562
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,663	41,710
Gains on sales and maturities of investments	(49,460)	(19,544)
Unrealized gains on investments	(29,865)	(19,344)
(Increase) decrease in operating assets:		
Service fees receivable	30,941	2,235
Accrued interest receivable	(938)	(352)
Unconditional promises to give	-	7,500
United Way receivable	22,364	(320)
Prepaid and other	62,709	(4,702)
Increase (decrease) in operating liabilities:		
Accounts payable	(10,959)	(16,277)
Accrued vacation	(25,993)	1,635
	<u>296,298</u>	<u>127,103</u>
Cash Flows From Investing Activities:		
Purchases of investments	(279,585)	(262,312)
Proceeds from sales and maturities of investments	217,200	236,504
Purchases of property and equipment	(18,885)	(41,635)
	<u>(81,270)</u>	<u>(67,443)</u>
Net Increase in Cash and Cash Equivalents	215,028	59,660
Cash and Cash Equivalents		
Beginning of year	<u>595,898</u>	<u>536,238</u>
End of year	<u>\$ 810,926</u>	<u>\$ 595,898</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Raintree Services, Inc. and Subsidiary**

June 30, 2006

Note 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) 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 Private Family Care program. The majority of funding for the Raintree House program, the Therapeutic Family Care program, the Case Management program, and the Private Family Care program is through contracted rates with various agencies of the State of Louisiana for services provided. For the years ended June 30, 2006 and 2005, the Agency received a subgrant funded by the Federal Government from the Governor's Council on Drug-free Schools and Communities.

b) Basis of Accounting

The consolidated financial statements of the Raintree Services, Inc. and Subsidiary are prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

c) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-For-Profit Organizations." Under SFAS No. 117, net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Note 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Basis of Presentation (Continued)

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned on related investments for general or specific purposes.

d) Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and its wholly owned subsidiary, Raintree Case Management, LLC. 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 September 2006. All significant intercompany balances and transactions between the Agency and its wholly-owned Subsidiary have been eliminated.

e) 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.

f) 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.

Note 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Service Fees Receivable

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

h) Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

i) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities and certificates of deposits 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.

Note 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) 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 cost, if purchased, or at fair market value at the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

k) Donated Services of Volunteers

Donated services have not been reflected in the financial statements since no objective basis is available to measure the value of such services. A substantial number of volunteers donate significant amounts of their time in the Agency's program and supporting services.

l) Allocated Expenses

The costs of providing the various programs and other activities are summarized in the consolidated statement of functional expenses. Certain expenses have been allocated among the programs and support services based on management's estimates of the costs involved.

m) 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.

Note 2 - INVESTMENTS

At June 30, 2006, marketable securities consisted of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Stocks:			
Undesignated	\$ 179,381	\$ 329,467	\$150,086
Designated (See Note 9)	777,735	1,083,292	305,557
Certificates of Deposit -			
Undesignated	87,424	87,424	-
Corporate Bonds -			
Undesignated	<u>669,617</u>	<u>641,420</u>	<u>(28,197)</u>
Totals	<u>\$1,714,157</u>	<u>\$2,141,603</u>	<u>\$427,446</u>
			Excess of Market Value
	<u>Cost</u>	<u>Market Value</u>	<u>Over Cost</u>
Balances at June 30, 2006	<u>\$1,714,157</u>	<u>\$2,141,603</u>	\$427,446
Balances at July 1, 2005	<u>\$1,602,312</u>	<u>\$1,999,893</u>	<u>397,581</u>
Increase in unrealized appreciation			<u>\$29,865</u>

Investment income for the year ended June 30, 2006 is summarized as follows:

Interest	\$ 40,179
Dividends	31,679
Royalties	115
Gain on sales and maturities of investments	49,460
Unrealized gains	<u>29,865</u>
Total investment income	<u>\$151,298</u>

Note 2 - INVESTMENTS (continued)

At June 30, 2005, marketable securities consisted of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Stocks:			
Undesignated	\$ 215,559	\$ 377,011	\$161,452
Designated (See Note 9)	730,435	980,051	249,616
Certificates of Deposit -			
Undesignated	87,329	87,329	-
Corporate Bonds -			
Undesignated	<u>568,989</u>	<u>555,502</u>	<u>(13,487)</u>
Totals	<u>\$1,602,312</u>	<u>\$1,999,893</u>	<u>\$397,581</u>

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Value Over Cost</u>
Balances at June 30, 2005	<u>\$1,602,312</u>	<u>\$1,999,893</u>	<u>\$397,581</u>
Balances at July 1, 2004	<u>\$1,556,960</u>	<u>\$1,935,197</u>	<u>378,237</u>
Increase in unrealized appreciation			<u>\$ 19,344</u>

Investment income for the year ended June 30, 2005 is summarized as follows:

Interest	\$ 33,164
Dividends	34,101
Royalties	154
Gain on sales and maturities of investments	19,544
Unrealized gains	<u>19,344</u>
Total investment income	<u>\$106,307</u>

Note 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2006</u>	<u>2005</u>
Land	\$ 90,000	\$ 90,000
Buildings and improvements	882,705	882,705
Furniture and equipment	359,415	340,530
Automobiles	<u>30,594</u>	<u>30,594</u>
	1,362,714	1,343,829
Less accumulated depreciation	<u>925,977</u>	<u>881,314</u>
Totals	<u>\$ 436,737</u>	<u>\$ 462,515</u>

Depreciation expense for the years ended June 30, 2006 and 2005 was \$44,663 and \$41,710, respectively.

Note 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2006 and 2005 are available for the following specified purposes:

	<u>2006</u>	<u>2005</u>
For operations of subsequent periods	\$ -	\$22,364
Program expenses	<u>91,597</u>	<u>2,113</u>
Totals	<u>\$91,597</u>	<u>\$24,477</u>

Note 5 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to risk include cash and equivalents on deposit with financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 at each bank and by the Securities Investor Protection Corporation up to \$500,000 at each investment brokerage firm (with a limit of \$100,000 for cash). At June 30, 2006 and 2005, the Agency's uninsured cash balances were approximately \$775,000 and \$472,000, respectively.

Note 6 - ECONOMIC DEPENDENCY

During the years ended June 30, 2006 and 2005, the Agency received \$795,206 and \$807,356, respectively, approximately 37% and 32%, respectively, of its support and program revenues, through the State of Louisiana, Department of Social Services in the form of a per diem rate set by their 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, 2006 and 2005, the agency received \$931,603 and \$1,447,179, respectively, approximately 43% and 56%, respectively, of its support and program revenues, in the form of Medicaid reimbursements. The Medicare intermediary for Medicare patients reimburses for services rendered to Medicare program beneficiaries under an agreement with fixed monthly rates that is subject to audit and retroactive adjustments. Management does not believe that the ultimate outcome of any cost report audit will have a significant impact on the Agency's financial statements.

Note 7 - COMMITMENTS AND CONTINGENCIES

The Agency leases office space under an operating lease which was to expire in February 2006. Rent expense under this lease amounted to \$13,271 and \$53,423 for the years ended June 30, 2006 and 2005, respectively. This lease was abandoned in September 2005 (See Note 10).

The Agency has one unused letter of credit of \$84,830, which expired on September 11, 2006 and was renewed until September 11, 2007. This letter of credit was provided in favor of State of Louisiana, Department of Health and Hospitals to ensure the Agency's compliance with the contract for Case Management Services for Region One.

Note 8 - RISK MANAGEMENT

The Agency is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settlement claims that exceeded this commercial coverage during the years ended June 30, 2006 and 2005.

Note 9 - DESIGNATION OF NET ASSETS

Net assets include amounts designated by the Board of Directors to be used for special projects, which are maintained in an investment brokerage account designated as an endowment. The Board retains control over the account, and may at its discretion, subsequently use these funds for other purposes. Activity of the endowment account during the years ended June 30, 2006 and 2005 consists of the following:

	2006	2005
Balance at beginning of year	\$1,002,219	\$ 955,126
Investment income recognized	94,632	47,093
Balance at end of year	<u>\$1,096,851</u>	<u>\$1,002,219</u>

Note 10 - HURRICANE KATRINA

On August 29, 2005, New Orleans and the surrounding area suffered a natural disaster, Hurricane Katrina. The facility which the Agency owns sustained minor damage, however, a leased facility that the Agency used for its Case Management Services sustained severe damage and the Agency was forced to abandon the lease. Due to the storm, the Agency immediately suffered reductions in staff and program participant levels.

As of June 30, 2006 the City of New Orleans is beginning to see an increase in the number of residents and medical services. With this increase, the Agency's programs are again operating at a pre-storm level with the exception of the after-school program. The participation in this program has increased and continues to do so as more schools in the area reopen.

Note 10 - HURRICANE KATRINA (continued)

The Agency has submitted and finalized its insurance claims. As of June 30, 2006, insurance settlement proceeds and hurricane related expenses are as follows:

Insurance	\$49,850
Federal Emergency Management Association	<u>15,801</u>
	<u>65,651</u>
Evacuation expenses	28,963
Other expenses	<u>2,010</u>
	<u>30,973</u>
Insurance proceeds, net	<u>\$34,678</u>

Subsequent to June 30, 2006, \$11,404 of the above remaining net proceeds has been used to purchase a new roof for the administrative office. The additional remaining proceeds will be used for property and equipment acquisitions including the administrative building's iron gate, fencing and interior items. The Agency estimates that all insurance proceeds will be expended.

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION**Raintree Services, Inc. and Subsidiary**

June 30, 2006

	<u>Raintree Services, Inc.</u>	<u>Raintree Case Management, L.L.C.</u>	<u>Eliminations</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 752,298	\$ 58,628		\$ 810,926
Service fees receivable	348,445	170,456	\$ (229,084)	289,817
Accrued interest receivable	7,239			7,239
Prepaid and other	14,132			14,132
Investments	2,141,603			2,141,603
Property and equipment, net of accumulated depreciation	436,737			436,737
Total assets	<u>\$ 3,700,454</u>	<u>\$ 229,084</u>	<u>\$ (229,084)</u>	<u>\$ 3,700,454</u>
Liabilities				
Accounts payable	\$ 67,421	\$ 229,084	\$ (229,084)	\$ 67,421
Accrued vacation	14,154			14,154
Total liabilities	<u>81,575</u>	<u>229,084</u>	<u>(229,084)</u>	<u>81,575</u>
Net Assets				
Unrestricted	3,527,282	-	-	3,527,282
Temporarily restricted	91,597	-	-	91,597
Total net assets	<u>3,618,879</u>	<u>-</u>	<u>-</u>	<u>3,618,879</u>
Total liabilities and net assets	<u>\$ 3,700,454</u>	<u>\$ 229,084</u>	<u>\$ (229,084)</u>	<u>\$ 3,700,454</u>

CONSOLIDATING STATEMENT OF ACTIVITIES

Raintree Services, Inc. and Subsidiary

For the year ended June 30, 2006

	Raintree Services, Inc.			Raintree Case Management, LLC		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Support and Revenues						
Raintree House program	\$ 384,807		\$ 384,807			
Therapeutic Family Care program	380,787		380,787			
Drug-free Schools program	2,910		2,910			
Case Management program	931,603		931,603	\$ 863,746		\$ 863,746
Private Family Care program	29,612		29,612			
Contributions	126,114	\$ 81,663	207,777			
United Way allocations	13,615	9,934	23,549			
Investment income	151,298		151,298			
Hurricane insurance proceeds (net)	34,678		34,678			
Other income	7,950		7,950			
Total support and revenues	2,063,374	91,597	2,154,971	863,746		863,746
Net assets released from restrictions:						
Expiration of time restrictions and program restrictions satisfied through payments	24,477	(24,477)	-			
Total revenues, support and net assets released from restrictions	2,087,851	67,120	2,154,971	863,746		863,746
Expenses						
Program services:						
Raintree House	384,640		384,640			
Therapeutic Family Care	328,740		328,740			
Drug-free Schools	3,207		3,207			
Case Management	752,905		752,905	863,746		863,746
Private Family Care	23,490		23,490			
General and administrative	408,129		408,129			
Fundraising	1,024		1,024			
Total expenses	1,902,135	-	1,902,135	863,746		863,746
Change in Net Assets	185,716	67,120	252,836	-		-
Net Assets						
Beginning of year	3,341,566	24,477	3,366,043	-		-
End of year	\$ 3,527,282	\$ 91,597	\$ 3,618,879	\$ -	\$ -	\$ -

Unrestricted	Eliminations		Consolidated		
	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
			\$ 384,807		\$ 384,807
			380,787		380,787
			2,910		2,910
\$ (863,746)		\$ (863,746)	931,603		931,603
			29,612		29,612
			126,114	\$ 81,663	207,777
			13,615	9,934	23,549
			151,298		151,298
			34,678		34,678
			7,950		7,950
(863,746)		(863,746)	2,063,374	91,597	2,154,971
			24,477	(24,477)	-
(863,746)		(863,746)	2,087,851	67,120	2,154,971
			384,640		384,640
			328,740		328,740
			3,207		3,207
(863,746)		(863,746)	752,905		752,905
			23,490		23,490
			408,129		408,129
			1,024		1,024
(863,746)		(863,746)	1,902,135	-	1,902,135
-		-	185,716	67,120	252,836
-		-	3,341,566	24,477	3,366,043
\$ -	\$ -	\$ -	\$ 3,527,282	\$ 91,597	\$ 3,618,879

**SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES PREPARED
FOR THE UNITED WAY FOR THE GREATER NEW ORLEANS**

Raintree Services, Inc. and Subsidiary

For the year ended June 30, 2006
(Unaudited)

Actual Unaudited Revenue/Expenses July 1, 2005-June 30, 2006	AGENCY TOTAL (SUM 2 + 3)	SUPPORTING SERVICES Management & General	TOTAL PROGRAM SERVICES SUM (4 to 6)	PROGRAM SERVICES		
				Raintree House/ Foster Care	Support Coordination	After School Services
	1	2	3	4	5	6
REVENUE:						
1 4200 BOARD GENERATED SELF SUPPORT	\$ 204,972	\$ 204,972				
2 4201 CLIENT GENERATED SELF SUPPORT						
3 5000 GOVERNMENT GRANTS/CONTRACTS	1,731,417		\$ 1,731,417	\$ 799,381	\$ 929,126	\$ 2,910
4 6700 OTHER REVENUE	75,354	75,354				
5 TOTAL SELF GENERATED REVENUE	2,011,743	280,326	1,731,417	799,381	929,126	2,910
6 4704 UNITED WAY DESIGNATIONS	6,948	6,948				
7 4705 CFC DESIGNATIONS						
8 4706 OTHER UNITED WAY ALLOCATIONS						
9 TOTAL REVENUE	2,018,691	287,274	1,731,417	799,381	929,126	2,910
10 4701 UNITED WAY ALLOCATION - GNO	7,455		7,455			7,455
11 4702 PHASE I GRANT	6,667	6,667				
12 4703 PHASE II GRANT	9,934	9,934				
11 GRAND TOTAL REVENUE	\$ 2,042,747	\$ 303,875	\$ 1,738,872	\$ 799,381	\$ 929,126	\$ 10,365
EXPENSES:						
12 7300 COMPENSATION EXPENSES	\$ 1,251,476	\$ 251,553	\$ 999,923	\$ 423,857	\$ 573,192	\$ 2,874
13 8400 OCCUPANCY EXPENSES	87,212	16,921	70,291	39,144	31,147	
14 8700 TRAVEL & TRANSPORTATION EXP.	59,737	3,510	56,227	25,398	30,829	
15 8900 SPECIFIC ASSISTANCE	215,823		215,823	207,963	7,860	
16 9402 BOARD GENERATED SELF SUPPORT						
17 9400 OTHER DIRECT PROGRAM/SUPPORT	215,222	153,017	62,205	20,981	40,892	332
18 GRAND TOTAL EXPENSES	\$ 1,829,470	\$ 425,001	\$ 1,404,469	\$ 717,343	\$ 683,920	\$ 3,206
19 NET DIFFERENCE	\$ 213,277	\$ (121,126)	\$ 334,403	\$ 82,038	\$ 245,206	\$ 7,159
20 9500 DEPRECIATION	\$ 44,663	\$ 14,081	\$ 30,582	\$ 23,816	\$ 6,766	\$ -

EXPENSES ANALYSIS:

21-Total Direct Program Expenses	\$ 717,343	683,920	3,206
22-Percent of Total Program Expenses	51.08%	48.70%	0.22%
23-Distribution of M & G Expenses	\$ 217,091	206,975	935
24-Grand Total Program Expenses	\$ 934,434	890,895	4,141
25-Projected Undup. People Served	69	1,122	-
26-Cost per Person	\$ 13,543	794	-

(See Accountant's Disclaimer of Opinion)

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the consolidated financial statements of Raintree Services, Inc. and Subsidiary (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 consolidated financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the consolidated 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 operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Raintree Services, Inc. and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

This report is intended solely for the information and use of the Board of Directors, management, The Bureau of Consolidated Educational Programs, Office of Educational Support Programs and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Metairie, Louisiana,
September 11, 2006.

SCHEDULE OF FINDINGS AND RESPONSES

Raintree Services, Inc. and Subsidiary

For the year ended June 30, 2006

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are
not considered to be material weakness ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

Raintree Services, Inc. and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2006 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

Section II - Financial Statement Findings

No financial statement findings were noted during the audit of the financial statements for the year ended June 30, 2006.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Raintree Services, Inc. and Subsidiary

For the year ended June 30, 2006

Section I - Internal Control and Compliance Material to the Consolidated Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2005.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2005.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2005.

Section II - Internal Control and Compliance Material To Federal Awards

Raintree Services, Inc. and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2005 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2005.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Raintree Services, Inc. and Subsidiary

For the year ended June 30, 2006

Section I - Internal Control and Compliance Material to the Consolidated Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statement for the year ended June 30, 2006.

No reportable conditions were reported during the audit of the financial statement for the year ended June 30, 2006.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statement for the year ended June 30, 2006.

Section II - Internal Control and Compliance Material To Federal Awards

Raintree Services, Inc. and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2006 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statement for the year ended June 30, 2006.