

*Financial Report*  
*Raintree Services, Inc.*  
*June 30, 2019*



*Financial Report*

*Raintree Services, Inc.*

*June 30, 2019*

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June 30, 2019 and 2018

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**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Raintree Services, Inc. (the "Agency"), a non-profit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Support and Revenues and Expenses (Schedule 1) is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer (Schedule 2) is presented for purposes of additional analysis and is required by Louisiana Revised Statute 24:513(A)(3), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2019, on our consideration of the Agency's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Raintree Services, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
November 21, 2019.

**STATEMENT OF FINANCIAL POSITION****Raintree Services, Inc.**

June 30, 2019  
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 172,606	\$ 256,615
Service fees receivable	172,021	158,885
Prepaid expenses	45,634	50,071
Investments	3,807,362	3,617,043
Property and equipment, net of accumulated depreciation	<u>498,710</u>	<u>494,663</u>
Total assets	<u>\$ 4,696,333</u>	<u>\$ 4,577,277</u>
<b>Liabilities</b>		
Accounts payable	\$ 11,740	\$ 7,545
Accrued vacation	<u>30,239</u>	<u>28,503</u>
Total liabilities	<u>41,979</u>	<u>36,048</u>
<b>Net Assets</b>		
Without donor restrictions	<u>4,654,354</u>	<u>4,541,229</u>
Total liabilities and net assets	<u>\$ 4,696,333</u>	<u>\$ 4,577,277</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****Raintree Services, Inc.**

For the year ended June 30, 2019  
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Support and Revenues</b>		
Raintree House	\$ 776,601	\$ 842,846
Foster Care	853,885	800,730
Family Support Coordination	229,707	193,450
Contributions and private grants	66,885	79,263
United Way grants and designations	6,874	6,274
Investment income	90,336	239,780
Other income	36,920	14,131
Special event income	161,716	152,332
	<u>2,222,924</u>	<u>2,328,806</u>
<b>Expenses</b>		
Program services:		
Raintree House	645,085	579,134
Foster Care	615,852	574,854
Family Support Coordination	274,487	216,692
General and administrative	438,799	425,985
Fundraising	135,576	116,714
	<u>2,109,799</u>	<u>1,913,379</u>
<b>Increase in Net Assets</b>	113,125	415,427
<b>Net Assets</b>		
Beginning of year	<u>4,541,229</u>	<u>4,125,802</u>
End of year	<u><u>\$ 4,654,354</u></u>	<u><u>\$ 4,541,229</u></u>

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES****Raintree Services, Inc.**

For the year ended June 30, 2019  
(with comparative totals for 2018)

	Program Services			Total	General and	Fundraising	2019	2018
	Raintree	Foster	Family	Program	Administrative		Totals	Totals
	House	Care	Support	Services				Only
			Coordination					
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ 299	\$ 7,979	\$ 8,278	\$ 8,299
Bad debts	289	-	2,931	3,220	1,818	-	5,038	-
Bank charges	-	-	-	-	240	-	240	241
Consultants	-	-	-	-	3,206	-	3,206	9,743
Contracted services	6,642	-	9,293	15,935	-	1,919	17,854	12,324
Dietary expenses	17,363	-	-	17,363	-	-	17,363	16,208
Dues and subscriptions	1,286	1,250	-	2,536	1,450	-	3,986	3,635
Foster Care parent expenses	-	381,797	-	381,797	-	-	381,797	355,172
Health insurance	35,205	18,564	27,492	81,261	26,185	5,302	112,748	103,095
Housekeeping and laundry	3,744	-	-	3,744	-	-	3,744	3,151
Insurance	50,528	9,364	9,184	69,076	22,470	283	91,829	77,437
Licenses and permits	550	50	635	1,235	80	-	1,315	1,542
Medical	1,322	-	-	1,322	-	-	1,322	455
Occupancy:								
Depreciation	27,512	-	3,542	31,054	19,749	-	50,803	38,253
Maintenance, buildings, and grounds	7,267	156	156	7,579	7,111	-	14,690	15,426
Outside services	4,113	-	-	4,113	-	-	4,113	6,765
Repairs, buildings, and grounds	6,851	-	-	6,851	-	-	6,851	4,769
Repairs, furniture, and equipment	4,476	-	-	4,476	1,743	-	6,219	4,041
Supplies	-	192	2,927	3,119	230	-	3,349	1,366
Utilities	16,127	2,741	4,272	23,140	4,272	-	27,412	24,272
Other	3,984	14,755	359	19,098	7,394	9,274	35,766	38,175
Payroll taxes	29,987	11,295	14,131	55,413	20,685	4,736	80,834	72,556
Personal client needs	18,744	16,313	-	35,057	-	-	35,057	36,132
Postage	55	50	-	105	327	1,131	1,563	2,899
Printing and office supplies	4,138	996	1,345	6,479	9,327	3,865	19,671	18,414
Professional services	2,012	1,120	970	4,102	26,349	-	30,451	29,401
Recreational expenses	6,462	-	-	6,462	-	-	6,462	12,331
Salaries	383,270	143,318	186,676	713,264	280,896	63,710	1,057,870	935,945
Special events	-	-	-	-	-	36,298	36,298	33,740
Telephone	3,704	3,127	3,067	9,898	3,937	801	14,636	15,244
Therapeutic and training supplies	4,385	3,482	329	8,196	679	-	8,875	8,494
Travel and seminars	5,069	7,282	7,178	19,529	352	278	20,159	23,854
Totals	<u>\$645,085</u>	<u>\$615,852</u>	<u>\$274,487</u>	<u>\$1,535,424</u>	<u>\$438,799</u>	<u>\$135,576</u>	<u>\$2,109,799</u>	<u>\$1,913,379</u>

See notes to financial statements.

**STATEMENT OF CASH FLOWS****Raintree Services, Inc.**

For the year ended June 30, 2019  
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 113,125	\$ 415,427
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debts	5,038	-
Depreciation	50,803	38,253
Realized and unrealized (gain) loss on investments, net	53,577	(110,117)
Loss on disposal of assets	-	5,917
(Increase) decrease in operating assets:		
Service fees receivable	(18,174)	(47,312)
Prepaid expenses	4,437	(50,071)
Increase (decrease) in operating liabilities:		
Accounts payable	4,195	1,825
Accrued vacation	1,736	929
	<u>214,737</u>	<u>254,851</u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(1,492,645)	(609,417)
Proceeds from sales of investments	1,248,749	479,755
Purchases of property and equipment	<u>(54,850)</u>	<u>(44,668)</u>
	<u>(298,746)</u>	<u>(174,330)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(84,009)	80,521
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>256,615</u>	<u>176,094</u>
End of year	<u>\$ 172,606</u>	<u>\$ 256,615</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Raintree Services, Inc.**

June 30, 2019 and 2018

**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 principally to children through young adults in the community. The Agency provides these services through three programs: Raintree House, Therapeutic Family Care and Private Family Care ("Foster Care programs"), and Family Support Coordination. Funding for Raintree House and Foster Care is through contracted rates with various agencies of the State of Louisiana for services provided.

**b. Basis of Accounting**

The financial statements of the Agency are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**c. Basis of Presentation**

The Agency classifies its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Support, revenue, and expenses for general operations.

**Net Assets With Donor Restrictions** - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period or contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the Agency. As of June 30, 2019 and 2018, the Agency did not have any net assets with donor restrictions.

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

**d. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**e. Cash and Cash Equivalents**

For the purposes of the Statement 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.

**f. Service Fees Receivable**

Service fees receivable consists primarily of unsecured amounts due from various governmental agencies. The difference between the amount due and the amount management expects to collect is reported as bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. Management believes that all balances as of June 30, 2019 and 2018 are collectible and that an allowance for doubtful receivables was not necessary.

**g. Contributions and Revenue Recognition**

Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statement of Activities as net assets released from restrictions.

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

**h. Investments**

Investments in mutual funds with readily determinable fair values and the certificate of deposit 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.

**i. 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 as of 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. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of each asset which range from three to forty years.

**j. 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 and management believes that the requirements for recording in-kind services have not been met. A substantial number of volunteers donate significant amounts of their time in the Agency's program and supporting services.

**k. Functional Allocation of Expenses**

Most of the expenses can be directly allocated to programs or supporting functions. The financial statements also report certain categories of expenses that are attributable to both programs and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated based on estimates of time and effort include salaries, payroll taxes, health insurance and medical expenses. Other expenses are allocated on the bases of square footage uses of facilities.

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

**l. 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.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended June 30, 2016 and later remain subject to examination by the taxing authorities. As of June 30, 2019, management of the Agency believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**m. Recently Issued Accounting Standards**

**Presentation of Financial Statements for Not-for-Profit Entities**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*", which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative

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

**m. Recently Issued Accounting Standards (Continued)**

**Presentation of Financial Statements for Not-for-Profit Entities (Continued)**

information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. The ASU is effective for annual reporting periods beginning after December 15, 2017. The Agency has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2018.

**Leases**

In February 2016, the FASB issued ASU 2016-02, "*Leases*" (Topic 842). ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Agency is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**Statement of Cash Flows**

In November 2016, the FASB issued ASU 2016-18, "*Statement of Cash Flows*" (Topic 230). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period

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

**m. Recently Issued Accounting Standards (Continued)**

**Statement of Cash Flows (Continued)**

and end-of-period total amounts shown on the Statement of Cash Flows. The amendments in ASU 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Agency is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*" (*Topic 606*), which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU 2014-09, FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The ASU is effective for annual reporting periods beginning after December 15, 2018, with certain early adoption provisions available. The Agency is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**n. Reclassifications**

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

**o. Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 21, 2019, which is the date the financial statements were available to be issued.

**Note 2 - CONCENTRATION OF CREDIT RISK**

Raintree Services, Inc. maintains cash accounts at several financial institutions located in southeast Louisiana. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 as of June 30, 2019. As of June 30, 2019, the Agency had no cash in excess of the insured limits.

**Note 3 - INVESTMENTS**

As of June 30, 2019, investments are composed of the following:

	Cost	Market Value	Excess of Market Value Cost Over
Mutual funds	\$3,740,433	\$3,804,315	\$63,882
Certificate of deposit	3,047	3,047	-
Totals	\$3,743,480	\$3,807,362	\$63,882
	Cost	Market Value	Excess of Market Value Over Cost
Balances at June 30, 2019	\$3,743,480	\$3,807,362	\$ 63,882
Balances at June 30, 2018	\$3,354,102	\$3,617,043	262,941
Decrease in unrealized appreciation			\$(199,059)

Investment income for the year ended June 30, 2019 is summarized as follows:

Unrealized loss	\$(199,059)
Realized gains on sales of investments	145,482
Dividends, interest and capital gain distributions	162,439
Investment fees	(18,526)
Net investment income	\$ 90,336

**Note 3 - INVESTMENTS (Continued)**

As of June 30, 2018, investments are composed of the following:

	Cost	Market Value	Excess of Cost Over Market Value																
Mutual funds	\$3,351,063	\$3,614,004	\$262,941																
Certificate of deposit	3,039	3,039	-																
Totals	\$3,354,102	\$3,617,043	\$262,941																
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">Cost</th> <th style="text-align: center; border-bottom: 1px solid black;">Market Value</th> <th style="text-align: center; border-bottom: 1px solid black;">Excess of Market Value Over Cost</th> </tr> </thead> <tbody> <tr> <td>Balances at June 30, 2018</td> <td style="text-align: right; border-bottom: 1px solid black;">\$3,354,102</td> <td style="text-align: right; border-bottom: 1px solid black;">\$3,617,043</td> <td style="text-align: right;">\$262,941</td> </tr> <tr> <td>Balances at June 30, 2017</td> <td style="text-align: right; border-bottom: 1px solid black;">\$3,203,169</td> <td style="text-align: right; border-bottom: 1px solid black;">\$3,377,264</td> <td style="text-align: right; border-bottom: 1px solid black;">174,095</td> </tr> <tr> <td style="padding-left: 40px;">Increase in unrealized appreciation</td> <td></td> <td></td> <td style="text-align: right; border-bottom: 3px double black;">\$ 88,846</td> </tr> </tbody> </table>					Cost	Market Value	Excess of Market Value Over Cost	Balances at June 30, 2018	\$3,354,102	\$3,617,043	\$262,941	Balances at June 30, 2017	\$3,203,169	\$3,377,264	174,095	Increase in unrealized appreciation			\$ 88,846
	Cost	Market Value	Excess of Market Value Over Cost																
Balances at June 30, 2018	\$3,354,102	\$3,617,043	\$262,941																
Balances at June 30, 2017	\$3,203,169	\$3,377,264	174,095																
Increase in unrealized appreciation			\$ 88,846																

Investment income for the year ended June 30, 2018 is summarized as follows:

Unrealized gain	\$ 88,846
Realized gains on sales of investments	21,271
Dividends, interest, and capital gain distributions	148,074
Investment fees	(18,411)
Net investment income	\$239,780

**Note 4 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2019 and 2018.

*Certificate of deposit:* Stated at cost, which approximates fair value.

**Note 4 - FAIR VALUE MEASUREMENTS (Continued)**

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Agency are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Agency are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value of measurement at the reporting date.

Assets measured at fair value on a recurring basis as of June 30, 2019 and 2018 are comprised of and determined as follows:

Description	Total Assets Measured at Fair Value	% of Total	2019 Based on		
			Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:					
Multisector bond	\$2,257,688	59.30	\$2,257,688		
Large growth	396,142	10.40	396,142		
Large value	392,647	10.31	392,647		
Foreign large blend	374,071	9.82	374,071		
Small growth	194,656	5.11	194,656		
Small blend	189,111	4.97	189,111		
Certificate of deposit	3,047	0.09	3,047		
Totals	<u>\$3,807,362</u>	<u>100.00</u>	<u>\$3,807,362</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 4 - FAIR VALUE MEASUREMENTS (Continued)**

Description	Total Assets Measured at Fair Value	% of Total	2018		
			Quoted Prices in Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:					
Multisector bond	\$1,501,045	41.50	\$1,501,045		
Large growth	554,252	15.32	554,252		
Large value	533,039	14.74	533,039		
Foreign large blend	499,257	13.80	499,257		
Small growth	194,743	5.38	194,743		
Small blend	175,134	4.84	175,134		
Convertible bond	156,534	4.33	156,534		
Certificate of deposit	3,039	0.09	3,039		
Totals	<u>\$3,617,043</u>	<u>100.00</u>	<u>\$3,617,043</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2019 and 2018, there were no assets measured at fair value on a non-recurring basis.

**Note 5 - PROPERTY AND EQUIPMENT**

A summary of property and equipment as of June 30, 2019 and 2018 is as follows:

	2019	2018
Land	\$ 90,000	\$ 90,000
Buildings and improvements	1,155,560	1,151,876
Furniture and equipment	234,032	221,319
Automobiles	62,446	54,804
	<u>1,542,038</u>	<u>1,517,999</u>
Less accumulated depreciation	<u>(1,043,328)</u>	<u>(1,023,336)</u>
Totals	<u>\$ 498,710</u>	<u>\$ 494,663</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$50,803 and \$38,253, respectively.

**Note 6 - AVAILABILITY OF FINANCIAL ASSETS**

The Agency is substantially supported by government contracts as discussed in Note 7. The Agency is also supported by contributions on an unrestricted and restricted basis. Because a donor's restriction may require resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, management has established a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management has established guidelines for making decisions related to managing short-term cash reserves and other investments in a prudent manner.

The Agency did not have any agency-designated reserves as of June 30, 2019 and 2018.

The following reflects the Agency's financial assets as of June 30, 2019. There were no donor-imposed restrictions as of June 30, 2019.

Financial assets:	
Cash and cash equivalents	\$ 172,606
Service fees receivable	172,021
Investments	<u>3,807,362</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$4,151,989</u>

**Note 7 - ECONOMIC DEPENDENCY**

During the years ended June 30, 2019 and 2018, the Agency received \$1,527,685 and \$1,535,786, respectively, approximately 69% and 67%, 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 obtain other sources of funding in order to maintain its present level of services.

Additionally, during the years ended June 30, 2019 and 2018, the Agency received \$229,707 and \$193,450, respectively, approximately 10% and 8%, respectively, of its support and program revenues, in the form of Medicaid reimbursements for Family Support Coordination. The Medicaid intermediary for Medicaid patients reimburses for services rendered to Medicaid 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 8 - RISKS AND UNCERTAINTIES**

In general, investments in various securities, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by the Agency.

**Note 9 - 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, 2019 and 2018.

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES****Raintree Services, Inc.**

June 30, 2019  
(with comparative totals for 2018)

	2019			2018		
	Support and Revenues	Expenses	Net	Support and Revenues	Expenses	Net
Program services:						
Raintree House	\$ 776,601	\$ 645,085	\$ 131,516	\$ 842,846	\$ 579,134	\$ 263,712
Foster Care	853,885	615,852	238,033	800,730	574,854	225,876
Family Support Coordination	229,707	274,487	(44,780)	193,450	216,692	(23,242)
Total program services	1,860,193	1,535,424	324,769	1,837,026	1,370,680	466,346
Contributions	41,885	-	41,885	48,013	-	48,013
Private grants	25,000	-	25,000	31,250	-	31,250
United Way grants and designations	6,874	-	6,874	6,274	-	6,274
Investment income	90,336	-	90,336	239,780	-	239,780
Other income	36,920	-	36,920	14,131	-	14,131
Special events	161,716	36,298	125,418	152,332	33,740	118,592
General and administrative	-	438,799	(438,799)	-	425,985	(425,985)
Fundraising - other	-	99,278	(99,278)	-	82,974	(82,974)
Totals	<u>\$ 2,222,924</u>	<u>\$ 2,109,799</u>	<u>\$ 113,125</u>	<u>\$ 2,328,806</u>	<u>\$ 1,913,379</u>	<u>\$ 415,427</u>

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**Raintree Services, Inc.**

For the year ended June 30, 2019

**Agency Head Name:** LaShawna Schofield, Executive Director

**Purpose**

Salary	\$ 121,587
Benefits - insurance	6,543
Benefits - retirement	0
Benefits - other	81
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	438
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	85
Housing	0
Unvouchered expenses	0
Special meals	0
	<hr/>
	<b>\$ 128,734</b>
	<hr/> <hr/>

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S 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 Board of Directors,  
Raintree Services, Inc.,  
New Orleans, Louisiana.

We have audited, in accordance with the 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, the financial statements of Raintree Services, Inc. (a nonprofit organization) (the "Agency"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's 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 or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
November 21, 2019.



**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Raintree Services, Inc.**

For the year ended June 30, 2019

#### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

No findings were reported during the audit of the year ended June 30, 2018 related to internal control over financial reporting.

##### **Compliance and Other Matters**

No findings were reported during the audit of the year ended June 30, 2018 related to compliance and other matters.

#### **Section II - Internal Control and Compliance Material to Federal Awards**

Raintree Services, Inc. did not receive Federal awards in excess of \$750,000 during the year ended June 30, 2018 and, therefore, was exempt from the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance).

#### **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, 2018.

# **MANAGEMENT'S CORRECTIVE ACTION PLAN**

## **Raintree Services, Inc.**

For the year ended June 30, 2019

### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

#### **Internal Control Over Financial Reporting**

No findings were reported during the audit of the year ended June 30, 2019 related to internal control over financial reporting.

#### **Compliance and Other Matters**

No findings were reported during the audit of the year ended June 30, 2019 related to compliance and other matters.

### **Section II - Internal Control and Compliance Material to Federal Awards**

Raintree Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2019, and therefore, was exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

### **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, 2019.