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HALL SERVICES & MANAGEMENT, INC.  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 1999 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date FEB 7 6 2000

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# R. BROWN & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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Richard E. Brown, C.P.A.  
Terre L. Bidwell, C.P.A.

## Independent Auditors' Report

To the Board of Directors  
Hall Services & Management, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying balance sheet of Hall Services & Management, Inc. as of June 30, 1999 and 1998 and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hall Services & Management, Inc. as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 1999, on our consideration of Hall Services & Management, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying supplementary information presented on page 9 is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. This information has been subjected to the tests and other auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Baton Rouge, Louisiana  
October 15, 1999

HALL SERVICES & MANAGEMENT, INC.  
BATON ROUGE, LOUISIANA

BALANCE SHEET

	JUNE 30	
	1999	1998
<u>ASSETS</u>		
CURRENT ASSETS		
Accounts receivable	\$61,661	\$8,807
Other receivables	2,450	-
Total current assets	64,111	8,807
PROPERTY AND EQUIPMENT		
Office equipment	3,028	430
Less accumulated depreciation	(407)	(61)
	2,621	369
Total assets	\$66,732	\$9,176
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$10,093	\$2,114
Accrued wages	6,161	2,305
Total current liabilities	16,254	4,419
LONG-TERM LIABILITIES		
Due to affiliate (Note 3)	-	65,221
Due to stockholder	14,900	-
Total liabilities	31,154	69,640
CONTINGENCIES (Note 5)		
	-	-
STOCKHOLDER'S EQUITY		
Common stock - no par value; 1,000 shares authorized, 100 shares issued	100	100
Retained earnings (deficit)	35,478	(60,564)
Total stockholder's equity (deficit)	35,578	(60,464)
Total liabilities and stockholders' equity	\$66,732	\$9,176

The accompanying notes are an integral part of these financial statements.

HALL SERVICES & MANAGEMENT, INC.  
BATON ROUGE, LOUISIANA

STATEMENT OF INCOME AND RETAINED EARNINGS

	YEAR ENDED JUNE 30	
	1999	1998
REVENUES (Note 4)	\$230,707	\$114,431
EXPENSES		
Salaries and wages	218,434	111,869
Payroll taxes	21,195	12,045
Employee benefits	3,204	-
Operating costs		
Advertising and promotion	1,535	-
Bad debt expense	2,600	-
Bank charges	6,186	1,097
Depreciation	346	61
Insurance	619	2,447
Janitorial expense	2,650	3,190
Maintenance and repairs	322	255
Meals and entertainment	408	266
Office supplies	7,307	4,163
Payroll service	1,658	952
Postage	723	932
Professional fees	3,500	325
Rent (Note 2)	15,704	13,624
Taxes and licenses	560	872
Telephone	12,839	6,689
Training	5,534	765
Travel	19,654	11,695
Utilities	5,323	3,748
	330,301	174,995
LOSS FROM OPERATIONS	(99,594)	(60,564)
OTHER INCOME		
Forgiveness of debt (Note 3)	195,636	-
NET INCOME (LOSS)	96,042	(60,564)
RETAINED EARNINGS (DEFICIT) - beginning of year	(60,564)	-
RETAINED EARNINGS (DEFICIT) - end of year	\$35,478	(\$60,564)

The accompanying notes are an integral part of these financial statements.

HALL SERVICES & MANAGEMENT, INC.  
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30	
	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from services	\$160,239	\$105,624
Cash paid to suppliers and employees	(300,506)	(170,515)
Net cash used in operating activities	(140,267)	(64,891)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(2,598)	(430)
Loans to others, net of repayments	(2,450)	-
Net cash used in investing activities	(5,048)	(430)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings from affiliate	130,415	65,221
Borrowings from stockholder	14,900	-
Issuance of common stock	-	100
Net cash provided by financing activities	145,315	65,321
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	-	-
<b>CASH AND CASH EQUIVALENTS - end of year</b>	\$ -	\$ -

Schedule reconciling net income to net cash flow used in operating activities:

Net income (loss)	\$96,042	(\$60,564)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	346	61
Forgiveness of debt income	(195,636)	
Increase in accounts receivable	(52,854)	(8,807)
Increase in accounts payable	7,979	2,114
Increase in accrued wages	3,856	2,305
Net cash used in operating activities	(\$140,267)	(\$64,891)

The accompanying notes are an integral part of these financial statements.

HALL SERVICES & MANAGEMENT, INC.  
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

1. Summary of Significant Accounting Policies

Operations

Hall Services & Management, Inc., which commenced operations July 1, 1997, provides targeted case management services to eligible Medicaid recipients to help them gain access to the full range of needed services including medical, social, educational and other support services. The targeted recipients include three separate groups, which are the following:

MR/DD - developmentally disabled children ages three years and older and adults who are participants in the MR/DD waiver program.

Elderly - consumers aged 65 and older who meet all applicable criteria for admission to nursing facilities and who have been determined eligible for the Home Care for the Elderly waiver program.

Infants & Toddlers - infants and toddlers ages birth through two years (inclusive) who are in need of early intervention services because they are experiencing developmental delays or have been diagnosed with physical or mental conditions that have a high probability of resulting in developmental delays as defined by ChildNet.

Revenue and Cost Recognition

Revenue is recognized when services are provided. Expenses are recognized as incurred.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for renewals and betterments are capitalized. When items are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any resulting gain or loss is credited to or charged against income.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (7 years for office equipment), using the straight-line methods.

HALL SERVICES & MANAGEMENT, INC.  
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company has elected Subchapter S status. Earnings and losses will be included in the personal income tax return of the stockholder. Accordingly, the Company will not incur income tax obligations.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is based on prior experience and management's assessment of the collectibility of accounts receivable. Due to the nature of the receivables, all amounts are considered to be collectible and, therefore, an allowance for uncollectible accounts has not been established.

Cash and Cash Equivalents

Cash and cash equivalents consist of items having maturities of three months or less from the date of acquisition.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable. As of June 30, 1999 and 1998, substantially all of the Company's trade receivables are due from governmental agencies of the State of Louisiana.

The Company maintains its cash balances in a financial institution located in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Estimates

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

Allocation of Administrative Expenses

Central office overhead expenses are prorated based upon the percentage of each program's direct expenses to total direct expenses.



HALL SERVICES & MANAGEMENT, INC.  
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
June 30, 1999 and 1998

2. Operating Lease

The Company rented office space from its stockholder. The lease, which is in effect on a month to month basis, calls for monthly rentals of \$1,174. The amount of rental expense incurred by the Company under this lease agreement totaled \$14,088 and \$13,626 for the years ended June 30, 1999 and 1998.

3. Due to Affiliate

As of June 30, 1999, the Company had received \$195,636 from its affiliate, Maxima Industries, Inc., for working capital needs. The Company is related to Maxima Industries, Inc. through common ownership and directorship. Because the Company has experienced significant operating losses since its inception in 1997 and repayment of the advances appears doubtful, Maxima Industries, Inc. has written off the advances as of June 30, 1999. Accordingly, for the year ended June 30, 1999, the Company has recorded income in the amount of \$195,636 for the forgiveness of the debt.

4. Program Revenues

The Company provides case management services to clients in the following therapeutic programs which are funded by several State of Louisiana agencies through the Department of Health and Hospitals. Revenues earned are as follows:

<u>Program</u>	<u>Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
MR/DD (Medicaid)	\$ 83,381	\$ 69,605
Elderly (Medicaid)	5,446	5,644
Infants & Toddlers (Medicaid)		35,670
Infants & Toddlers (Non-medicaid)	137,835	3,512
Total revenue	<u>\$226,662</u>	<u>\$114,431</u>

5. Contingencies

Current and prior funds received from various funding agencies are subject to audit by the respective agencies. Generally accepted accounting principles preclude a charge to income for a provision for loss contingencies if any, that cannot be reasonably estimated.

The Company has experienced significant operating losses since its inception in 1997. The losses have been incurred primarily due to the relatively small number of clients being serviced by the Company. In early 2000, the Company anticipates a significant increase in the volume of cases due a restructuring of case assignment currently underway at the Department of Health and Hospitals. Management believes that expected increase in case volume will significantly improve profitability and resolve cash flow problems.

Supplementary Information

HALL SERVICES & MANAGEMENT, INC.  
BATON ROUGE, LOUISIANA

SCHEDULE OF PROGRAM OPERATIONS  
YEAR ENDED JUNE 30, 1999

	<u>MR/DD</u>	<u>ELDERLY</u>	<u>INFANTS &amp; TODDLERS</u>	<u>CENTRAL OFFICE</u>	<u>TOTAL</u>
REVENUE	<u>\$83,381</u>	<u>\$5,446</u>	<u>\$137,835</u>	<u>\$4,045</u>	<u>\$230,707</u>
EXPENSES					
Salaries and wages	53,970	21,008	123,189	20,267	218,434
Payroll taxes	5,120	2,049	12,183	1,843	21,195
Employee benefits	535	121	2,360	188	3,204
Operating costs					
Advertising and promotion	-	-	-	1,535	1,535
Bad debt expense	-	-	-	2,600	2,600
Bank charges	-	-	-	6,186	6,186
Depreciation	-	-	-	346	346
Insurance	-	-	-	619	619
Janitorial expense	-	-	-	2,650	2,650
Maintenance and repairs	-	-	-	322	322
Meals and entertainment	-	-	-	408	408
Office supplies	371	77	1,966	4,893	7,307
Payroll service	-	-	-	1,658	1,658
Postage	-	-	-	723	723
Professional fees	-	-	-	3,500	3,500
Rent	5,516	599	4,301	5,288	15,704
Taxes and licenses	-	-	20	540	560
Telephone	2,582	374	5,697	4,186	12,839
Training	1,132	318	2,568	1,516	5,534
Travel	4,848	458	11,538	2,810	19,654
Utilities	739	77	3,388	1,119	5,323
Total expenses before allocations	<u>74,813</u>	<u>25,081</u>	<u>167,210</u>	<u>63,197</u>	<u>330,301</u>
ALLOCATED EXPENSES					
Central Office costs	<u>16,568</u>	<u>5,554</u>	<u>37,030</u>	<u>(59,152)</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(\$8,000)</u>	<u>(\$25,189)</u>	<u>(\$66,405)</u>	<u>\$ -</u>	<u>(\$99,594)</u>

# **R. BROWN & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

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Richard E. Brown, C.P.A.  
Terre L. Bidwell, C.P.A.

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

To the Board of Directors  
Hall Services & Management, Inc.

We have audited the financial statements of Hall Services & Management, Inc. as of and for the year ended June 30, 1999, and have issued our report thereon dated October 15, 1999. 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.

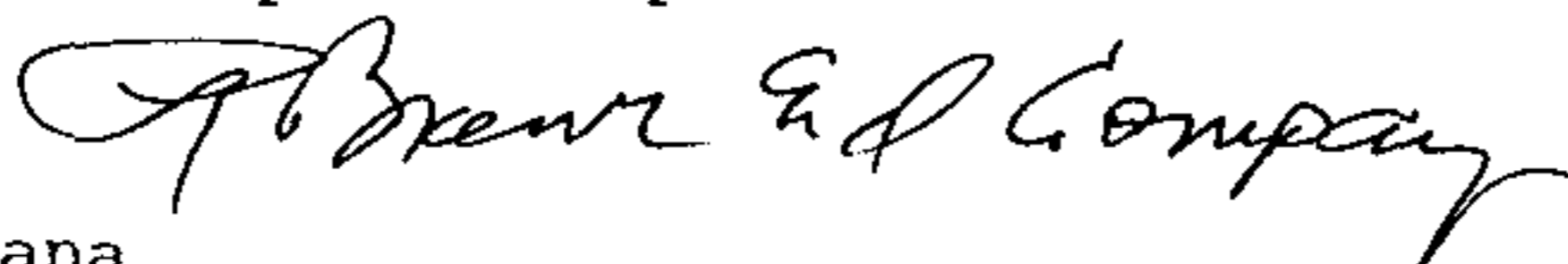
Compliance

As part of obtaining reasonable assurance about whether Hall Services & Management, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hall Services & Management, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



Baton Rouge, Louisiana  
October 15, 1999



# Hall Services & Management, Inc.

"Where Your Problems Are Our Priorities"

## CORRECTIVE ACTION PLAN

February 10, 2000

Legislative Auditor  
State of Louisiana

Hall Services & Management, Inc. respectfully submits the following corrective action plan for the year ended June 30, 1999.

Name and address of independent public accounting firm: R. Brown & Company, APC CPAs, 12046 Justice Ave. Suite B, Baton Rouge, LA 70816.

Audit period: July 1, 1998 to June 30, 1999

The findings from the June 30, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

### **B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

Reportable Condition

99-1 Audit Not Completed in Accordance with LSA-R.S. 24:513

Recommendation: None.

Action Taken: Hall Services & Management, Inc. will insure that the auditor submits the audit report in a timely manner.

### **C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

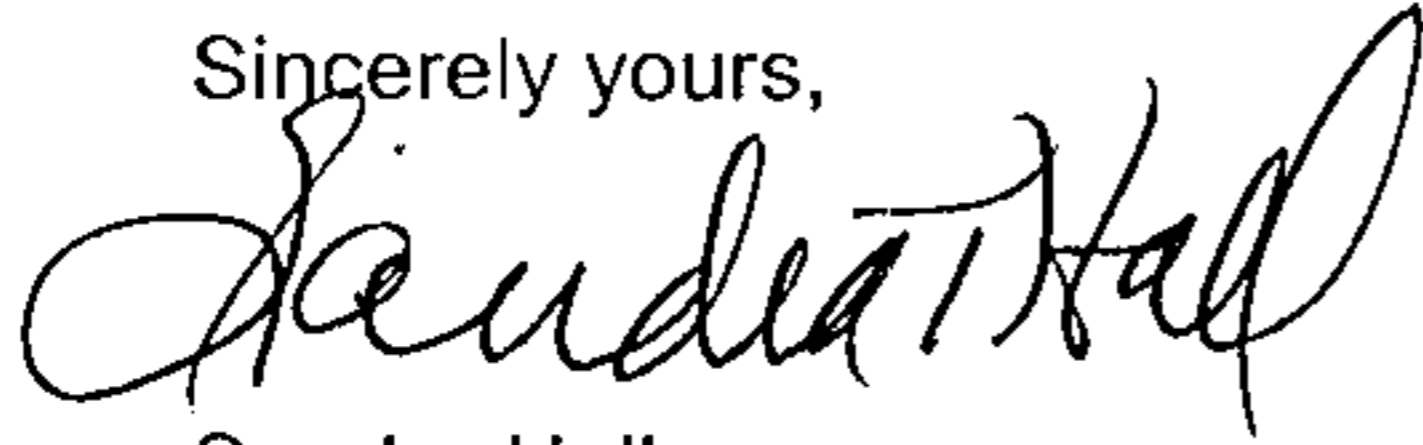
U.S. Department of Health & Human Services – None

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If the Legislative Auditor has questions regarding this plan, please call Sandra Hall at (225) 383-9139.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Sandra Hall". The signature is written in a cursive, flowing style with some loops and flourishes.

Sandra Hall