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LEGISLATIVE SERVICE AND REIMBURSEMENT OPTIONS, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1987

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or authorized, 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 JAN 14 1988

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CERTIFIED PUBLIC ACCOUNTANTS

Richard S. Brown, C.P.A.
Chris C. Steg, C.P.A.

Independent Auditors' Report

To the Board of Directors
Louisiana Health and Rehabilitation Options, Inc.
Baton Rouge, Louisiana

We have audited the accompanying balance sheet of Louisiana Health and Rehabilitation Options, Inc. as of June 30, 1993 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 audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Louisiana Health and Rehabilitation Options, Inc. as of June 30, 1993, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

R. Brown & Company

Baton Rouge, Louisiana
September 15, 1993

LOUISIANA BRIDGE AND REHABILITATION SYSTEM, INC.
BAYOU BOULEVARD, MONROE, LOUISIANA

BALANCE SHEET
APRIL 30, 1977

ASSETS

CURRENT ASSETS	
Cash and cash investments	549,380
Accounts receivable	141,857
Receivable - other	2,380
	<u>793,617</u>
PROPERTY AND EQUIPMENT	
Furniture & fixtures	27,351
Office equipment	24,304
Computers	22,881
Leashold improvements	66,517
Automobiles	5,858
	<u>147,911</u>
Less accumulated depreciation	(56,244)
	<u>91,667</u>
OTHER ASSETS	
Security deposits	1,000
	<u>1,000</u>
Total assets	<u>986,284</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	25,781
Accrued wages	23,473
Income taxes payable	14,780
Due to affiliates (Note 2)	34,386
	<u>98,420</u>
STOCKHOLDERS' EQUITY	
Common stock - no par value 1,000 shares authorized, 100 shares issued	5,000
Retained earnings	227,852
	<u>232,852</u>
Total liabilities and stockholders' equity	<u>986,284</u>

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

LOUISIANA HEALTH AND REHABILITATION OPTIONS, INC.
MONROE, LOUISIANA

STATEMENT OF INCOME AND RELATED EARNINGS
YEAR ENDED 1990, 1991, 1992

REVENUE (Note 4)	<u>992,422</u>
EXPENSES	
Salaries and wages	488,268
fringe benefits	88,888
operating costs	
Contract services	1,386
Data processing	8,368
Depreciation	18,378
Insurance	29,048
Medical expense	2,188
Lab/Diag/prints	1,178
Lease rentals (Boxes 2 and 3)	52,088
Management Fees	16,088
Miscellaneous	2,428
Motor vehicles	12,888
Office expense	19,028
Postage	938
Professional services	2,688
Recreation	17,388
Repairs and maintenance	8,088
Supplies	18,378
Taxes and licenses	2,488
Telephone	29,088
Travel	18,648
Utilities	27,228
	<u>888,582</u>
Income before provision for income taxes	<u>103,840</u>
PROVISION FOR INCOME TAXES	
Federal	12,028
State	2,778
	<u>14,806</u>
NET INCOME	89,034
retained earnings - beginning of year	<u>182,812</u>
retained earnings - end of year	<u>271,846</u>

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

LOUISIANA HEALTH AND REHABILITATION SERVICES, INC.
BAYOU BOULEVARD, LOUISIANA

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1982

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from services	\$877,154
Cash paid to suppliers and employees	(878,883)
Net cash provided by operating activities	<u>82,271</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceedings from affiliate	4,887
Net cash provided by financing activities	<u>4,887</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	87,158
CASH AND CASH EQUIVALENTS - beginning of year	1,361
CASH AND CASH EQUIVALENTS - end of year	\$10,519

SCHEDULE RECONCILING NET INCOME TO NET CASH FLOW USED IN OPERATING ACTIVITIES:

Net income	106,840
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	18,370
Decrease in accounts receivable	100,289
Decrease in accounts payable	(2,815)
Increase in accrued wages	21,873
Increase in taxes payable	14,382
Net cash provided by operating activities	<u>288,959</u>

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

LOUISIANA HEALTH AND REHABILITATION OPTIONS, INC.
BATCH ROAD, MOBILE

NOTICE TO FINANCIAL STATEMENTS
JUNE 30, 1987

1. Summary of Significant Accounting Policies

a. Operations

Louisiana Health and Rehabilitation Options, Inc. provides therapeutic psychiatric programs designed to eliminate inappropriate and maladaptive behaviors. Services provided are designed to help persons with developmental disabilities and severe and persistent behavioral problems reach their maximum functioning level in the community.

b. Revenue and Cost Recognition

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

c. 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 (5 to 7 years for furniture and equipment; 18 years for leasehold improvements), using the straight-line method.

d. Income Taxes

Income taxes, if any, are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. The deferred tax assets and liabilities, if any, represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

e. 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 accounts are considered to be collectible and, therefore, an allowance for uncollectible accounts has not been established.

MISSISSIPPI HEALTH AND REHABILITATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

1. Summary of Significant Accounting Policies (continued)

f. Cash and Cash Equivalents

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

g. 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, 1997, 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 various financial institutions located in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

h. 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.

LOUISIANA HEALTH AND REHABILITATION OPTIONS, INC.
BATCH KIDNEY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
June 30, 1987

2. Related Party Transactions

During the year ended June 30, 1987, the Company performed rehabilitation and therapy services for the Harmony Center, Inc., an organization related through common directorship and control. The amount earned by the Company under this arrangement totaled \$195,833 including \$16,303 which was receivable at June 30, 1987.

The company rented office space from the Harmony Center, Inc. The amount of rental expense incurred by the Company under this lease agreement totaled \$4,800. The company also rented office space from CHS, Inc., a corporation related through common directorship and control. The amount of rental expenses incurred by the Company under this lease agreement totaled \$26,000.

As of June 30, 1987, the company owes the Harmony Center, Inc. the following amounts:

Unsecured, non-interest bearing loan	\$ 18,880
unsecured loan at 7.25% per annum	15,880
Office rent payable	_____ 358
	<u>\$ 35,118</u>

3. Operating Leases

The company leases various office facilities under the following lease agreements:

<u>_____ Lessor</u>	<u>_____ Terms</u>
Harmony Center, Inc. (2704 Florida Blvd.)	One year lease, commencing July 1, 1986, terminating June 30, 1987, \$500 monthly rental. The lease has been renewed for a one year period commencing July 1, 1987.
CHS, Inc. (2856 North Blvd.)	Month to month lease, \$2,000 monthly rental.
T. J. Amisani (1940 North Blvd.)	One year lease, commencing August 1, 1986, terminating July 31, 1987, \$1,500 monthly rental. The lease has been renewed for a one year period commencing August 1, 1987.

Total rent expense under the above-described leases for the year ended June 30, 1987 was \$48,000. Other rental expense totaled \$5,991 for the year ended June 30, 1987.

ACQUISITION HEALTH AND REHABILITATION SERVICES, INC.
 BAYOU BOULE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
 YEAR END 1982

4. Program Revenues

The Company provides care to clients in the following therapeutic programs which are funded by several State of Louisiana agencies through the Department of Health and Hospitals:

<u>Program</u>	Revenue FOR 6/30/82
Baton Rouge and Lafayette Rehab	\$ 97,458
New Orleans Rehab	21,258
Personal Care Attendant (Haitian)	74,334
Supervised Independent Living (Haitian)	140,137
Quality Home Substance Abuse	149,339
After-school Respite	91,866
Crippled Substance Abuse	<u>187,488</u>
Total State of Louisiana programs	741,558
Other revenues - Harmony Center, Inc.	<u>156,873</u>
Total revenue	<u>\$898,431</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Louisiana Health and Rehabilitation Options, Inc.

We have audited the financial statements of Louisiana Health and Rehabilitation Options, Inc. for the year ended June 30, 1997, and have issued our report thereon dated September 19, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Louisiana Health and Rehabilitation Options, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Louisiana Health and Rehabilitation Options, Inc. for the year ended June 30, 1997, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors and management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

H. Brown & Company

Baton Rouge, Louisiana
September 10, 1997

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Louisiana Health and Rehabilitation Options, Inc.

We have audited the financial statements of Louisiana Health and Rehabilitation Options, Inc. as of and for the year ended June 30, 1997, and have issued our report thereon dated September 19, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to Louisiana Health and Rehabilitation Options, Inc. is the responsibility of the Company's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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 for the information of the Board of Directors and management. However, this report is a matter of public record, and its distribution is not limited.

R. Brown & Company

September 19, 1997
Baton Rouge, Louisiana