Professional Rehabilitation Services, Inc.

Baton Rouge, Louisiana

Financial Statements
and Supplementary Information

Years Ended December 31, 2000 and 1999

Johnston & Hayden, LLC
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Johnston & Hayden, LLC
CERTIFIED PUBLIC ACCOUNTANTS

13360 Coursey Boulevard, Suite A
Baton Rouge, Louisiana 70816

MICHAEL D. JOHNSTON, CPA (P.C.)
RICHARD E. HAYDEN, CPA (P.C.)

WILLIAM D. MERCER, CPA

TELEPHONE (225) 755-0300
TOLL FREE 800-755-7869
FAX (225) 755-0303

MEMBERS OF:
AMERICAN INSTITUTE
AND SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Professional Rehabilitation Services, Inc.
Baton Rouge, Louisiana

We have audited the accompanying balance sheets of Professional Rehabilitation Services, Inc., as of December 31, 2000 and 1999, and the related statements of operations and retained earnings, and cash flows for the years 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 *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 misstatements. 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 Professional Rehabilitation Services, Inc., as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Supplementary Schedules I and II 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 audits of the basic financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Company's internal control structure dated June 12, 2001, and a report on its compliance with laws and regulations dated June 12, 2001.

June 12, 2001 Johnston & Hayden

PROFESSIONAL REHABILITATION SERVICES, INC.
Baton Rouge, Louisiana

BALANCE SHEETS

December 31,

	2000	1999
ASSETS		
CURRENT:		
Cash and cash equivalents	$ -	$ 624
PROPERTY AND EQUIPMENT:		
Depreciable assets	21,964	21,964
Less accumulated depreciation	18,272	15,402
Net Property and Equipment	3,692	6,562
OTHER:		
Deferred income taxes	53,890	30,136
Deposits	500	500
Total Other Assets	54,390	30,636
TOTAL ASSETS	$ 58,082	$ 37,822

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

	2000	1999
LIABILITIES		
CURRENT:		
Accounts payable	$ -	$ 3,284
Current portion of long-term debt	-	4,661
Total Current Liabilities	-	7,945
LONG-TERM:		
Notes payable, less current portion	46,060	43,327
OTHER:		
Due to affiliates	188,256	92,231
TOTAL LIABILITIES	234,316	143,503
STOCKHOLDERS' EQUITY		
Retained earnings (deficit)	(176,234)	(105,681)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 58,082	$ 37,822

PROFESSIONAL REHABILITATION SERVICES, INC.
Baton Rouge, Louisiana

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

Years Ended December 31,

	2000	1999
REVENUES	$ -	$ 132,373
OPERATING EXPENSES	96,646	162,131
Net profit (loss) from operations	(96,646)	(29,758)
OTHER INCOME (EXPENSE)	2,339	38,279
Net income (loss) before taxes	(94,307)	8,521
INCOME TAX EXPENSE (BENEFIT)	(23,754)	1,617
Net Income (Loss)	(70,553)	6,904
RETAINED EARNINGS (DEFICIT), beginning of year	(105,681)	(112,585)
RETAINED EARNINGS (DEFICIT), end of year	$(176,234)	$(105,681)

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

PROFESSIONAL REHABILITATION SERVICES, INC.
Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

Years Ended December 31,

		2000		1999
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income (loss)	$ (	70,553)	$	6,904
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		2,870		2,870
Deferred income taxes	(	23,754)		1,617
(Increase) decrease in:				
Accounts receivable		-	(	36,098)
Increase (decrease) in:				
Accounts payable	(	3,284)		241,883
Other current liabilities		-	(	3,274)
Net cash provided (used) by operating activities	(	94,721)		213,902
CASH FLOWS FROM FINANCING ACTIVITIES:				
Reduction of outstanding debt	(	1,928)	(	27,353)
(Increase) decrease in due from affiliates		96,025	(	198,038)
Net cash provided (used) by financing activities		94,097	(	225,391)
NET DECREASE IN CASH	(	624)	(	11,489)
CASH AND CASH EQUIVALENTS, beginning of year		624		12,113
CASH AND CASH EQUIVALENTS, end of year	$	-	$	624

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

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the business

Professional Rehabilitation Services, Inc. (the Company) was established to support various programs providing care and treatment to individuals requiring mental, developmental and rehabilitation services. The Company operates a number of programs located in the Baton Rouge and New Orleans, Louisiana, including a halfway house to provide care and treatment for alcohol and drug abuse to chemically dependent adolescents, mental health and development diagnosis services, and a vocational transition service for foster children between the ages of sixteen and twenty-one.

Method of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly assesses these estimates and, while actual amounts may differ, the management believes the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include provision for doubtful accounts, estimated useful lives of property and equipment, and deferred income taxes.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable

Programs are funded primarily through contractual agreements with the State of Louisiana through the Department of Health and Hospitals, Division of Alcohol and Drug Abuse; the Medicaid program; and grants through the Department of Social Services, Office of Community Services.

With the State of Louisiana as the Company's only creditor, all receivables are expected to be fully collectible. Therefore, no provision or liability for uncollectible accounts has been recognized in the accompanying financial statements. A significant reduction in the level of support provided by the state of Louisiana, if this were to occur, may have a significant effect on the Company's operations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs and minor renewals are charged to earnings when incurred. Major expenditures for renewals and betterments are capitalized.

As a general rule, when items are retired or otherwise disposed, the accumulated depreciation is reduced by the accumulated amount of depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income.

Depreciation

Depreciation is computed on the straight-line and accelerated methods over the following estimated useful lives of the various classes of depreciable assets:

Equipment and machinery	5 years
Furniture and fixtures	5 years

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to use of different depreciation methods and lives for financial statement and income tax purposes, and use of net operating loss and tax credit carryforwards for income tax purposes. The deferred tax assets and liabilities 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.

Advertising

The Company expenses the production costs of advertising the first time the advertising takes place, except direct response advertising, which is capitalized and amortized over its expected period of future benefits. At December 31, 2000 and 1999 the Company had no direct-response advertising classified as assets, and all advertising was expensed as incurred.

PROFESSIONAL REHABILITATION SERVICES, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2000 and 1999, were as follows:

	2000	1999
Cash on hand	$ -	$ -
Cash in bank – checking	-	624
	$ -	$ 624

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation as of December 31, 2000 and 1999 are as follows:

	2000	1999
Equipment	$ 19,797	$ 19,797
Furniture and fixtures	2,167	2,167
	21,964	21,964
Less accumulated depreciation	18,272	15,402
	$ 3,692	$ 6,562

Depreciation expense for each of the years ended December 31, 2000 and 1999 was $ 2,870.

NOTE D – RELATED PARTY TRANSACTIONS

Amounts due to affiliates totaling $ 188,256 and $ 92,231 at December 31, 2000 and 1999, respectively, represent funds advanced to the Company from various entities under common management for various reimbursable operating expenses. These amounts do not bear interest and have no set payment schedule. Management does not anticipate that these liabilities will be liquidated within the current period.

NOTE D – RELATED PARTY TRANSACTIONS (continued)

Baton Rouge Development Corporation, which shares common ownership and management with the Company, provided administrative and professional services related to the programs during the year ended December 31, 1999. These expenses totaled $ 89,928 and $ 36,000 for the years ended December 31, 2000 and 1999, respectively.

The Company utilizes facilities owned by its shareholder for its operations in Baton Rouge, Louisiana. No rent is paid or accrued for the use of these facilities. Additionally, the Company shares office facilities and equipment with companies that share common ownership and management with the Company. No rental or depreciation expense is recorded by the Company as a result of this arrangement.

NOTE E – NOTES PAYABLE

Notes payable at December 31, 2000 and 1999 consists of the following:

	2000	1999
Note payable to a local bank, payable in monthly installments; secured by operating equipment	$ -	1,335
10.5% Note payable to a local bank; payable in semi-annual interest installments	46,060	46,653
	46,060	47,988
Less current portion	-	4,661
	$ 46,060	$ 43,327

PROFESSIONAL REHABILITATION SERVICES, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – LEASE COMMITMENTS

The Company leased its New Orleans facilities from an unrelated party under an operating lease that was terminated in December, 1999. Rental expense under this operating lease totaled $ 6,000 for the year ended December 31, 1999.

NOTE G - INCOME TAXES

Summaries of the provisions for income taxes for the years ended December 31, 2000 and 1999, are as follows:

	2000	1999
Current	$ -	$ -
Deferred	(23,754)	1,617
	$(23,754)	$ 1,617

Net deferred income tax assets in the accompanying financial statements include the following components:

	2000	1999
Deferred tax assets:		
Current	$ 7,631	$ -
Noncurrent	46,544	60,205
Total deferred tax assets	54,175	60,205
Deferred tax liabilities:		
Current	-	29,519
Noncurrent	285	550
Total deferred tax liabilities	285	30,069
Net deferred income tax assets	$ 53,890	$ 30,136

NOTE G – INCOME TAXES (continued)

As of December 31, 2000 and 1999, the Company had $ 231,188 and $ 138,320 in loss carryforwards to offset future taxable income, which are due to expire beginning in 2008. Additionally, the Company had tax credit carryforwards totaling $ 5,235 at December 31, 2000 and 1999, arising from alternative minimum tax liabilities in prior years, which is available indefinitely for offset against future Federal tax liabilities.

The expected tax provision that would result from applying statutory rates to income before income taxes differs from current expense due to the nondeductibility of certain expenses, including penalties, and due to the tax rates used to calculate deferred taxes, which do not reflect graduated rates.

NOTE H – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for the years ended December 31, 2000 and 1999, for income taxes and interest are as follows:

	2000	1999
Income taxes	$ -	$ -
Interest	$ 745	$ 4,420

The Company had no noncash investing and financing activities for the year ended December 31, 2000 and 1999.

NOTE I – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Most of the Company's business is with clients located in the Baton Rouge and New Orleans, Louisiana, areas. As stated in Note A, the State of Louisiana is the Company's only creditor, and at December 31, 2000 and 1999, the Company's accounts receivable were expected to be repaid through contracts and grants with the State of Louisiana. A reduction in the amount of support and revenues provided by the State of Louisiana, should this occur, could have a significant impact on the Company's operations.

Johnston & Hayden, LLC
CERTIFIED PUBLIC ACCOUNTANTS

13360 Coursey Boulevard, Suite A
Baton Rouge, Louisiana 70816

TELEPHONE (225) 755-0300
TOLL FREE 800-755-7869
FAX (225) 755-0303

MICHAEL D. JOHNSTON, CPA (P.C.)
RICHARD E. HAYDEN, CPA (P.C.)

WILLIAM D. MERCER, CPA

MEMBERS OF
AMERICAN INSTITUTE
AND SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

AUDITORS' REPORT ON COMPLIANCE

To the Shareholders
Professional Rehabilitation Services, Inc.
Baton Rouge, Louisiana

We have audited the basic financial statements of Professional Rehabilitation Services, Inc., for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 12, 2001.

We conducted our audits 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 misstatements.

The management of Professional Rehabilitation Services, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control 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 the 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 of 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 audits of the basic financial statements of Professional Rehabilitation Services, Inc., for the years ended December 31, 2000 and 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they had been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the basic 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 condition in which the design or operation of one or more 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 management and stockholders of Professional Rehabilitation Services, Inc., and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

June 12, 2001 Johnston & Hayden

Johnston & Hayden, LLC
CERTIFIED PUBLIC ACCOUNTANTS

13360 Coursey Boulevard, Suite A
Baton Rouge, Louisiana 70816

MICHAEL D. JOHNSTON, CPA (P.C.)
RICHARD E. HAYDEN, CPA (P.C.)

WILLIAM D. MERCER, CPA

TELEPHONE (225) 755-0300
TOLL FREE 800-755-7869
FAX (225) 755-0303

MEMBERS OF
AMERICAN INSTITUTE
AND SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

AUDITOR'S REPORT ON COMPLIANCE

To the Stockholders
Professional Rehabilitation Services, Inc.
Baton Rouge, Louisiana

We have audited the basic financial statements of Professional Rehabilitation Services, Inc., as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 12, 2001.

We conducted our audits 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.

Compliance with laws, regulations, contracts, and grants applicable to Professional Rehabilitation Services, Inc., is the responsibility of Professional Rehabilitation Services, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Professional Rehabilitation Services, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audits of the basic 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 herein under *Government Auditing Standards*.

This report is intended for the information of the management and stockholders of Professional Rehabilitation Services, Inc., and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

June 12, 2001 Johnston & Hayden

SUPPLEMENTARY INFORMATION

PROFESSIONAL REHABILITATION SERVICES, INC.
Baton Rouge, Louisiana

SCHEDULE I - SCHEDULES OF OPERATING EXPENSES

Years ended December 31,

	2000	1999
Administrative services	$ 89,928	$ 36,000
Auto expense	528	10,403
Contract labor	3,000	16,500
Depreciation	2,870	2,870
Insurance	-	-
Legal and professional	-	1,909
Licenses and taxes	-	3,231
Miscellaneous	17	120
Office expense	27	679
Professional and operating expenses	-	13,295
Repairs and maintenance	-	2,048
Salaries and payroll taxes	-	64,842
Supplies	-	2,089
Telephone	276	3,968
Travel	-	859
Utilities	-	3,318
Total Operating Expenses	$ 96,646	$ 162,131

UNAUDITED -- See auditor's disclaimer on supplementary information.

PROFESSIONAL REHABILITATION SERVICES, INC.
Baton Rouge, Louisiana

SCHEDULE II - SCHEDULES OF OTHER INCOME/EXPENSE

Years ended December 31,

	2000	1999
OTHER INCOME:		
Miscellaneous income	$ 3,084	$ -
Rent income	-	43,000
Total Other Income	3,084	43,000
OTHER EXPENSE:		
Interest expense	745	4,420
Penalties	-	301
Total Other Expense	745	4,721
Total Other Income (Expense)	$ 2,339	$ 38,279

UNAUDITED -- See auditor's disclaimer on supplementary information.