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LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1995 & 1994

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 Oct 04 1995

ROBERT E. HOLLADAY III
CERTIFIED PUBLIC ACCOUNTANT

ROBERT E. HOLLADAY III, CPA

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MEMBER
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TELEPHONE
318-258-0621

July 14, 1995

Management Letter

To the Board of Directors
Lincoln General Hospital, Inc.
P. O. Drawer 1368
Ruston, LA 71273-1368

Re: Management Letter & Audit
Year Ended April 30, 1995

In planning and performing my audit of the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., for the year ended April 30, 1995, I considered the Hospital's internal control structure in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and the combining and individual fund financial statements and not to provide assurance on the internal control structure.

However, I noted certain matters involving the internal control structure and its operation that I consider worthy of your attention.

Finding 1

Proper management of fixed assets includes a system of identification of those assets. Assets are not labeled and many items cannot be specifically identified with the depreciation schedule asset list.

Recommendation

We recommend that management begin to develop a system of property records with identification of assets to match those records.

To the Board of Directors
Lincoln General Hospital, Inc.
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Management Response

Management has begun a system of affixing labels to newly acquired property. It has also purchased computer software for property records which is scheduled for installation in September, 1995. However, management does not feel that it would be cost effective at this time to undertake a program to inventory and tag all fixed asset property acquired in prior years and then match those assets with existing property records which consist only of a fixed asset depreciation schedule.

Finding 2

We found the Allowance for Medicare Contractual Adjustments was substantially overstated, thereby understating the monthly and year to date net income during the year ended April 30, 1995.

Recommendation

We recommend that the monthly provision for the Allowance for Medicare Contractual Adjustments be developed and then evaluated by a comparison of its percentage relationship to the total outstanding Medicare accounts at each month end.

Management Response

The monthly provision for Medicare Contractual Adjustment will be monitored on a monthly basis as recommended.

Status of Prior Findings

Finding 1 was cited in the prior year audit.

All other prior findings have been satisfactorily resolved.

To the Board of Directors
Lincoln General Hospital, Inc.
Page 3

Compliance With Laws & Regulations

Status of Prior Findings

All prior compliance findings have been corrected.

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



R. E. Holladay III, CPA

Ruston, Louisiana
July 14, 1995

LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1995 & 1994

LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1995

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LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1995

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LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1995

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FINANCIAL SECTION

ROBERT E. HOLLADAY III, CPA

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MEMBER
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Independent Auditor's Report

TELEPHONE
318-258-0821

To the Board of Directors
Lincoln General Hospital, Inc.
P. O. Drawer 1368
Ruston, LA 71273-1368

I have audited the accompanying financial statements of Lincoln General Hospital, Inc. (a nonprofit corporation) as of and for the year ended April 30, 1995, and the combining and individual fund financial statements of the Hospital as of and for the years ended April 30, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln General Hospital, Inc., as of April 30, 1995, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in my opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Lincoln General Hospital, Inc., as of April 30, 1995 and 1994, and the results of operations of such funds and the cash flows of the individual proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated July 14, 1995, on our consideration of The Hospital's internal control structure and a report dated July 14, 1995, on its compliance with laws and regulations.



R. E. Holladay III, CPA

Ruston, Louisiana
July 14, 1995

FINANCIAL STATEMENTS

LINCOLN GENERAL HOSPITAL, INC.
COMBINED BALANCE SHEET - ALL FUND TYPES
APRIL 30, 1995

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Expendable Trust Fund</u>	<u>Memorandum Only</u>
ASSETS				
Cash	\$ 798,350	\$ 326,622	\$ 7,727	\$ 1,132,699
Investments at Cost	1,255,775	599,533	238,961	2,094,269
Assets Whose Use is Limited and are Required for Current Liabilities	838,219			838,219
Patient Accounts Receivable Net of Allowances of \$6,773,820	7,383,070			7,383,070
Estimated Third-Party Payor Settlements	152,240			152,240
Other Accounts Receivable	27,366	3,859		31,225
Due From Other Funds	262,173	113,049		375,222
Inventories	1,286,926			1,286,926
Prepaid Expenses	194,030			194,030
Deferred Federal Income Tax		1,115		1,115
Investment in Partnership		294,620		294,620
Investment in NurseSource, Inc.		81,050		81,050
Assets Whose Use is Limited by Board for Capital Improvements	4,931,826			4,931,826
Property & Equipment-Net	9,474,279			9,474,279
Prepaid Pension Cost	1,311,302			1,311,302
Deposits	208			208
Organization Cost	<u>10,641</u>			<u>10,641</u>
TOTAL ASSETS	<u>\$27,926,405</u>	<u>\$ 1,419,848</u>	<u>\$ 246,688</u>	<u>\$29,592,941</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
COMBINED BALANCE SHEET - ALL FUND TYPES
APRIL 30, 1995

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Funds</u>	<u>Totals</u> <u>Memorandum</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Expendable</u> <u>Trust Fund</u>	<u>Only</u>
LIABILITIES				
Accounts Payable	\$ 1,146,098	\$ 222,578		\$ 1,368,676
Estimated Health Claims Incurred but not Reported		140,022		140,022
Current Installments of Debt & Capital Lease Obligations	391,494			391,494
Accrued Liabilities	1,375,679	14,997		1,390,676
Due to Other Funds	252,311	122,911		375,222
Deferred Revenue	2,925			2,925
Long-Term Debt & Capital Lease Obligations Excluding Current Installments	<u>1,600,861</u>			<u>1,600,861</u>
TOTAL LIABILITIES	<u>4,769,368</u>	<u>500,508</u>		<u>5,269,876</u>
FUND EQUITY				
Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued and Outstanding	56,530			56,530
Retained Earnings				
Reserved for Capital Improvements	4,931,827			4,931,827
Reserved for Health Claims		642,305		642,305
Unreserved	18,168,680	277,035		18,445,715
Fund Balances				
Reserved for Scholarships			\$ 246,688	246,688
TOTAL FUND EQUITY	<u>23,157,037</u>	<u>919,340</u>	<u>246,688</u>	<u>24,323,065</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$27,926,405</u>	<u>\$ 1,419,848</u>	<u>\$ 246,688</u>	<u>\$29,592,941</u>

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUND
MARY B. JARRELL SCHOLARSHIP FUND
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
<u>Revenues</u>		
Income from Investments	\$ 11,317	\$ 6,617
Contributions		<u>461</u>
Total Revenues	<u>11,317</u>	<u>7,078</u>
<u>Expenditures</u>		
Scholarships Paid	4,207	5,110
Grambling State University Foundation	5,000	
Investment Management Account Fees	50	40
Other Expense	<u>5</u>	
Total Expenditures	<u>9,262</u>	<u>5,150</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,055	1,928
FUND BALANCE, BEGINNING	<u>244,633</u>	<u>242,705</u>
FUND BALANCE, ENDING	<u>\$ 246,688</u>	<u>\$ 244,633</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
COMBINED STATEMENT OF REVENUES, EXPENSES, & CHANGES
IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
YEAR ENDED APRIL 30, 1995

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Memorandum Only</u>
OPERATING REVENUES			
Net Patient Service Revenues	\$36,506,395		\$36,506,395
Other Operating Revenues	567,657		567,657
Income from Partnership		\$ 121,264	121,264
Employer Contributions		1,107,747	1,107,747
Employee Contributions		230,051	230,051
Refunds on Claims Paid		1,720	1,720
Specific Loss Reimbursement		38,221	38,221
Aetna Reimbursement		15,357	15,357
TOTAL OPERATING REVENUES	37,074,052	1,514,360	38,588,412
OPERATING EXPENSES	34,179,010	1,413,067	35,592,077
OPERATING INCOME	2,895,042	101,293	2,996,335
NON-OPERATING REVENUES (EXPENSES)	(273,404)	20,986	(252,418)
INCOME BEFORE INCOME TAX	2,621,638	122,279	2,743,917
INCOME TAX		35,052	35,052
NET INCOME	2,621,638	87,227	2,708,865
(Increase) in Retained Earnings			
Reserved for Capital Improvements	1,617,551		(1,617,551)
Reserved for Health Claims		(35,218)	(35,218)
NET CHANGE IN UNRESERVED RETAINED EARNINGS	1,004,087	52,009	1,056,096
RETAINED EARNINGS - UNRESERVED, BEGINNING	17,164,593	225,026	17,389,619
RETAINED EARNINGS - UNRESERVED, ENDING	18,168,680	277,035	18,445,715
RETAINED EARNINGS - RESERVED BEGINNING	3,314,276	607,087	3,921,363
NET CHANGE IN RESERVED RETAINED EARNINGS	1,617,551	35,218	1,652,769
RETAINED EARNINGS - RESERVED, ENDING	4,931,827	642,305	5,574,132
TOTAL RETAINED EARNINGS	\$23,100,507	\$ 919,340	\$24,019,847

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED APRIL 30, 1995

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Totals Memorandum Only</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 2,621,638	\$ 87,227	\$ 2,708,865
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Amortization of Organization Cost	2,902	6,428	9,330
Depreciation	2,272,352		2,272,352
Provision for Bad Debts	2,143,792		2,143,792
Loss on Disposal of Equipment	19,698		19,698
Partnership Net Income		(121,264)	(121,264)
Changes in Assets and Liabilities:			
(Increase) in Patient Accounts Receivable	(4,478,348)		(4,478,348)
(Increase) Decrease in Accounts Receivable Other	(24,219)	1,500	(22,719)
(Increase) in Third-Party Payor Settlements	440,486		440,486
(Increase) in Accrued Interest, IGG, Inc. and NurseSource Inc. Notes	(5,555)		(5,555)
(Increase) in Inventories	(120,351)		(120,351)
(Increase) in Due from Lincoln General Hospital, Inc. for Plan Contributions		(2,730)	(2,730)
Decrease in Prepaid Expenses	71,151	9,703	80,854
Decrease in Deferred Tax		352	352
(Increase) in Prepaid Pension Costs	(9,187)		(9,187)
Increase in Accounts Payable	66,081	3,400	69,481
Increase in Accrued Payroll & Related Liabilities	176,692		176,692
Increase in Due to Employee Group Health & Life Ins Plan #501	2,730		2,730
Increase in Other Accrued Liabilities	4,686	17,581	22,267
Increase in Health Claims Payable		104,527	104,527
Increase In Estimated Health Claims Incurred but not Reported		41,765	41,765
Total Adjustments	562,910	61,262	624,172
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,184,548	148,489	3,333,037

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED APRIL 30, 1995

	Enterprise Funds	Internal Service Funds	Totals Memorandum Only
CASH FLOWS FROM INVESTING ACTIVITIES			
Distribution from Partnership		\$ 40,000	\$ 40,000
Loan to NurseSource	(\$ 61,385)		(61,385)
Collection on LGG, Inc. Note	6,000		6,000
NET CASH PROVIDED BY (USED) FOR INVESTING ACTIVITIES	(55,385)	40,000	(15,385)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
Loan from Lincoln General Hospital, Inc.	61,385		61,385
Acquisition & Construction of Capital Assets	(421,106)		(421,106)
Proceeds from Sale of Equipment	1,402		1,402
(Increase) in Assets Whose Use is Limited	(2,261,135)		(2,261,135)
Principal Payments on Long-Term Debt	(94,875)		(94,875)
Payments on Capital Lease Obligations	(22,845)		(22,845)
Payment on Note Payable		(6,000)	(6,000)
NET CASH (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(2,737,174)	(6,000)	(2,743,174)
NET INCREASE IN CASH & CASH EQUIVALENTS	391,989	182,489	574,478
CASH & CASH EQUIVALENTS - MAY 1, 1994	1,662,136	743,666	2,405,802
CASH & CASH EQUIVALENTS - APRIL 30, 1995	\$ 2,054,125	\$ 926,155	\$ 2,980,280
Supplemental Disclosures of Cash Flow Information			
Cash Paid During the Year For:			
Income Taxes	\$ -0-	\$ 12,971	\$ 12,971
Interest	\$ 56,547	\$ 4,329	\$ 60,876
Supplemental Disclosure of Non Cash Investing and Financing Activity			
Purchase of Equipment with Financing Obligation	\$ 1,892,725	\$ -0-	\$ 1,892,725
Escrow Account Funded with Financing Obligation	128,535	-0-	128,535
Total Amount Financed	\$ 2,021,260	\$ -0-	\$ 2,021,260

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1995 & 1994

The following Notes to Financial Statements are an integral part of the Hospital's Financial Report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization - Financial Reporting Entity

Lincoln General Hospital, Inc. was incorporated in 1962 as a not-for-profit general short-term hospital.

As required by generally accepted accounting principles, the financial statements of the Hospital include those of Lincoln General Hospital, Inc., LGG, Inc., and NurseSource Home Care, Inc. The financial statements of LGG, Inc. and NurseSource Home Care, Inc. are blended with the Hospital's financial report because of the significance of their operational and financial relationships with the Hospital.

LGG, Inc., an entity legally separate from the Hospital, is organized on a nonstock basis with membership available to nonprofit general acute care licensed hospitals located and operating in Lincoln Parish, Louisiana with Lincoln General Hospital, Inc. as the only member of the corporation. LGG, Inc. is governed by a seven-member board elected annually by the member corporation, Lincoln General Hospital, Inc.

On January 4th, 1991, LGG, Inc. entered into a partnership, Ruston Outpatient Physical Therapy Services, with Phycor of Ruston, Inc. on a 50/50 basis. On January 7th, 1991, Ruston Outpatient Physical Therapy Services executed an agreement for professional services with Lincoln General Hospital, Inc. to provide physical therapy services to Lincoln General Hospital.

On January 5, 1994, LGG, Inc. acquired NurseSource Home Care, Inc., an entity legally separate from the hospital.

On January 5, 1994, NurseSource Home Care, Inc. executed an agreement for professional services with Lincoln General Hospital, Inc. to provide home care medical services to patients.

B. Basis of Presentation - Fund Accounting

The accounts of Lincoln General Hospital, Inc. are organized on the basis of funds, each of which is considered a separate accounting entity. The Hospital has created two types of funds. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings or fund balance, revenues and expenditures/expenses.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation - Fund Accounting (cont'd)

The individual funds account for the Hospital's resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds and Internal Service Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - These funds are established to account for the financing of services provided by one fund to another fund or to employees of other funds of the Hospital on a contributory or cost reimbursement basis.

Fiduciary Fund Types - These funds account for assets held by the Hospital as a trustee for individuals. These funds are as follows.

Expendable Trust Fund - This fund is used to account for funds that are to be used for nursing scholarships as specified by the donor.

Basis of Accounting - The accounts of the Hospital are maintained on the accrual basis in accordance with the system of accounts prescribed by the American Hospital Association.

C. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the Enterprise funds of the Hospital. The Hospital is not legally required to adopt a budget and no budgetary information is presented in this financial report.

D. Assets Whose Use Is Limited

Assets whose use is limited include: assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

F. Investments and Investment Income

Investment Management Accounts are authorized by the Board of Directors and are invested in Trust for U.S. Treasury Obligations by the Hospital's agents at various financial institutions. The carrying amounts are at cost which approximates market values.

Investment securities are stated at cost, adjusted for amortization of premiums and accretion of fees and discounts using a method that approximates level yield. The Hospital has adequate liquidity and capital, and it is generally management's intention to hold such assets to maturity. Should any be sold, gains and losses will be recognized based on the specific identification method. All sales are made without recourse.

At April 30, 1995, the Hospital had no outstanding commitments to sell securities.

Investment income of all funds is reported as non-operating revenue.

G. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

H. Inventories

Inventories of drugs and other supplies are stated at cost (first-in, first-out) which approximates market.

I. Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value on the date of receipt. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

I. Property and Equipment (cont'd)

accumulated depreciation is reported on the proprietary fund's balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

J. Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

K. Income Taxes

Lincoln General Hospital, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The exempt status was granted by letter from the Internal Revenue Service dated November 18, 1963.

The Hospital is also exempt from Louisiana Income Tax since it is organized as a non-profit corporation under the laws of the State of Louisiana.

Beginning with the year ended April 30, 1994, IGG, Inc. filed consolidated Federal Income Tax returns with its wholly owned subsidiary, NurseSource Home Care, Inc. IGG, Inc., a non-profit corporation, is exempt from Louisiana Income Tax.

Income taxes on IGG, Inc. and NurseSource Home Care, Inc. are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes (benefits). Deferred taxes (benefits) are recognized for deductible temporary differences and relate primarily to a contribution carryover. The deferred tax asset represents the future tax return consequences of this deductible difference. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are provided to reduce deferred tax assets to the amount that is more likely than not to be realized.

L. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

M. Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Bad debts are provided on the allowance method based on historical experience and management's evaluation of patient accounts receivable.

N. Fund Equity

Unreserved Retained Earnings and Fund Balances represent the net assets available for future operations. Reserved Retained Earnings and Fund Balances represent the net assets that have been identified for specific purposes.

O. Memorandum Only Total Columns & Comparative Data

The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Hospital's financial position and operation. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to understand.

P. Reclassifications

Certain prior year amounts have been reclassified in order to conform with current year presentation.

2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors.

A summary of the basis of reimbursement with major third-party payors follows:

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

2. NET PATIENT SERVICE REVENUE (CONT'D)

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary.

Effective July 1, 1994, Inpatient Medicaid reimbursement methodology was changed from cost reimbursement to a fixed per diem methodology.

The Hospital's Medicare and Medicaid Cost Reports have been audited by the Medicare fiscal intermediary through April 30, 1994.

Charity Care

The Hospital follows regulations established by the U. S. Department of Health, Education and Welfare relating to uncompensated care obligations for Hill-Burton hospitals. Services provided by the Hospital will be made available to patients asking for and qualifying for uncompensated care. DHEW's poverty income guidelines are used in determining the patient's eligibility and the individual amount of uncompensated care to be given. The amounts charged to Charity were \$1,014,633 and \$963,315 for 1995 and 1994, respectively. These amounts were deducted in arriving at Net Patient Service Revenue.

3. INVESTMENT MANAGEMENT ACCOUNTS AND SECURITIES

Investment Management Accounts and Securities are summarized as follows:

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1995 & 1994

3. INVESTMENT MANAGEMENT ACCOUNTS AND SECURITIES (CONT'D)

	<u>April 30</u>	
	<u>1995</u>	<u>1994</u>
<u>Lincoln General Hospital, Inc.</u>		
<u>Current Assets</u>		
Investment Management Accounts	\$ 1,255,775	\$ 1,199,503
<u>Limited for Capital Improvements</u>		
Investment Management Accounts	4,797,147	3,380,375
U.S. Treasury Bills	972,898	
<u>Employee Group Health & Life</u>		
<u>Insurance Plan #501</u>		
Investment Management Account	599,533	572,668
<u>Mary B. Jarrell Scholarship Fund</u>		
Investment Management Account	<u>238,961</u>	<u>242,694</u>
TOTAL	<u>\$ 7,864,314</u>	<u>\$ 5,395,240</u>

The carrying values and estimated market values of securities at April 30, 1995, are as follows:

Lincoln General Hospital, Inc.
Limited for Capital Improvements

	<u>Principal Balance</u>	<u>Unamortized Discount</u>	<u>Carrying Value</u>	<u>Estimated Market Value</u>
U.S. Treasury Bill Due in One Year or Less	<u>\$1,000,000</u>	<u>\$ 27,102</u>	<u>\$ 972,898</u>	<u>\$ 942,100</u>

Unrealized losses were approximately \$30,798 at year end.

The investment management accounts and securities are classified as to credit risk by the category described below:

Category 1 - Insured or registered, or securities held by the Hospital or its agent in the Hospital's name.

<u>Description</u>	<u>Category 1</u>	<u>Carrying Value</u>	<u>Market Value</u>
Investment Management Accounts	\$6,891,416	\$6,891,416	\$6,891,416
Securities	<u>972,898</u>	<u>972,898</u>	<u>942,100</u>
Totals	<u>\$7,864,314</u>	<u>\$7,864,314</u>	<u>\$7,833,516</u>

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

4. OTHER ACCOUNTS RECEIVABLE

Other accounts receivable at April 30, 1995 and 1994, are summarized as follows:

	April 30	
	1995	1994
<u>Lincoln General Hospital, Inc.</u>		
Accounts Receivable-Miscellaneous	\$ 26,328	\$ 3,147
Employee Travel Advances	1,038	—
TOTAL	\$ 27,366	\$ 3,147
<u>LGG, Inc.</u>		
IA Income Tax Claim Receivable	\$ 3,859	\$ 5,359

As of April 30, 1995, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
Lincoln General Hospital, Inc.	\$ 262,173	\$ 111,684
LGG, Inc.		122,911
NurseSource Home Care, Inc.		140,627
Employee Group Health & Life Insurance Plan #501	113,049	—
Totals	\$ 375,222	\$ 375,222

5. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

Estimated Third-Party Payor Settlements at April 30, 1995, are summarized below.

Lincoln General Hospital, Inc.

	Medicare	Medicaid	Total
<u>Receivables</u>			
Year Ended 4-30-95	\$ 33,309	\$ 46,843	\$ 80,152
Year Ended 4-30-94	—	55,850	55,850
Totals	\$ 33,309	\$ 102,693	\$ 136,002

NurseSource Home Care, Inc.

	Medicare	Medicaid	Total
<u>Receivables</u>			
Year Ended 12-31-94	\$ 10,860	\$ 283	\$ 11,143
4 Months Ended 4-30-95	5,095	—	5,095
Totals	\$ 15,955	\$ 283	\$ 16,238

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

6. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at April 30, 1995 & 1994, is set forth below.

	April 30	
	1995	1994
By Board for Capital Improvements		
Investment Management Accounts	\$ 4,797,147	
Investment Securities	972,898	\$ 3,380,375
TOTAL	\$ 5,770,045	\$ 3,380,375

7. PROPERTY & EQUIPMENT

A summary of property and equipment at April 30, 1995 & 1994 follows:

Lincoln General Hospital, Inc.

	April 30	
	1995	1994
<u>Used in Operations</u>		
Land ¹	\$ 136,944	\$ 136,944
Land Improvements	166,233	147,378
Building Improvements	5,872,010	5,621,733
Equipment	11,108,666	8,736,450
Equipment Under Capital Leases	109,761	109,761
Computer Software	644,382	812,422
Total	18,037,996	15,564,688
Less Accumulated Depreciation	(8,800,401)	(7,391,037)
Net Used in Operations	9,237,595	8,173,651
<u>Not Used in Operations</u>		
Green Clinic Building & Lot ²	1,382,000	1,382,000
Less Accumulated Depreciation	(1,151,667)	(520,552)
Net Not Used in Operations	230,333	861,447
Property & Equipment - Net	\$ 9,467,928	\$ 9,035,098

¹ Includes donated value of \$24,950

² Includes donated value of \$1,382,000

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1995 & 1994

7. PROPERTY & EQUIPMENT (CONT'D)

Additions to property and equipment totaled \$2,725,313 for the current year and \$722,303 for the prior year. Depreciation expense for years ended April 30, 1995 & 1994 was \$2,271,382 and \$1,600,513, respectively.

During the year ended April 30, 1995, management determined that the useful life of the Green Clinic building was shorter than originally expected. A change in accounting estimate was recognized to reflect this decision, resulting in a decrease in net income of \$575,834.

NurseSource Home Care, Inc.

	April 30	
	1995	1994
<u>Used in Operations</u>		
Equipment	\$ 7,726	\$ 14,689
Less Accumulated Depreciation	(1,375)	(405)
Net Used in Operations	\$ 6,351	\$ 14,284

Additions to NurseSource property and equipment totaled \$2,034 for the current year and \$14,689 for the prior year. Depreciation expense for years ended April 30, 1995 & 1994 was \$1,120 and \$405 respectively.

8. LONG-TERM DEBT & CAPITAL LEASES

A summary of long-term debt and capital leases at April 30, 1995 & 1994 follows:

	April 30	
	1995	1994

Long-Term Debt

Note Payable to General Electric Capital Corporation owner of General Electric Capital Corporation Revenue note Lincoln General Hospital Series 1995, issued January 6, 1995, by the Louisiana Public Facilities Authority in the amount of \$2,021,260. The note is due \$39,030 monthly including interest at 5.95%, final payment due January 6, 2000, secured by X-ray equipment with a net book value of \$1,776,538 at April 30, 1995, and Escrow Funds in the amount of \$500,658 less accounts payable of \$363,985.

\$ 1,933,805

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

8. LONG-TERM DEBT & CAPITAL LEASES (CONT'D)

	April 30	
	1995	1994
Financing agreement payable to Alcon Surgical, Inc. payable by procedural financing costs of \$48.08, each procedure, effective annual interest rate at 8.00%, final payment due approximately August, 1995 collateralized by Surgical Equipment, with a net book value of \$27,318 & \$32,211 at April 30, 1995 & 1994, respectively.	\$ 9,052	\$ 16,472
Total Long-Term Debt	1,942,857	16,472
Less Current Installments of Long-Term Debt	<u>372,142</u>	<u>12,354</u>
Long-Term Debt Excluding Current Installments	<u>\$ 1,570,715</u>	<u>\$ 4,118</u>
<u>Capital Leases</u>		
Capital Lease Obligations at 6.0% & 8.0% imputed interest rates collateralized by leased equipment with an amortized cost of \$55,584 & \$75,432 at April 30, 1995 & 1994, respectively.	\$ 49,498	\$ 72,343
Less current installments of Capital Lease Obligations	<u>19,352</u>	<u>20,536</u>
Capital Lease Obligations excluding current installments	<u>\$ 30,146</u>	<u>\$ 51,807</u>

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ended April 30	Long-Term Debt	Obligations Under Capital Leases
1996	\$ 372,142	\$ 21,740
1997	385,293	16,672
1998	408,853	15,283
1999	433,855	
2000	<u>342,714</u>	
Total	<u>\$1,942,857</u>	53,695
	Less Amount Representing Interest Obligations Under Capital Leases	(4,197)
Total		<u>\$ 49,498</u>

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1995 & 1994

8. LONG-TERM DEBT & CAPITAL LEASES (CONT'D)

Interest costs included in Lincoln General Hospital, Inc. expenses for 1995 and 1994 were \$64,218 and \$7,583, respectively.

9. PENSION PLAN

The Hospital has a defined benefit pension plan covering eligible employees who elect to make member contributions. The benefits are based on years of service and the employees' compensation during the five consecutive Plan Years of highest earnings during the last ten consecutive Plan Years of employment ending immediately before the earlier of retirement date or termination of employment.

The Hospital makes contributions to the plan which are carried in the financial statements as net periodic pension cost or prepaid pension cost in accordance with SFAS 87. Employees also contribute 3% of total earnings during each month of a Plan Year. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The actuarially computed net periodic pension cost for the years ended April 30, 1995 & 1994, includes the following components:

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
Service Cost Benefits Earned During the Year	\$ 269,975	\$ 299,066
Interest Cost on Projected Benefit Obligation	754,330	684,454
Actual Return on Plan Assets	(214,054)	(630,802)
Net Amortization and Deferral	(485,101)	(16,441)
Net Periodic Pension costs	<u>\$ 325,150</u>	<u>\$ 336,277</u>

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
Assumptions Used in the Accounting for Net Periodic Pension Costs Were:		
Discount Rates	8.0%	8.0%
Rates of Increase in Compensation Levels	6.0%	6.0%
Expected Long-Term Rate of Return on Assets	8.0%	8.0%

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1995 & 1994

9. PENSION PLAN (CONT'D)

The following table sets forth the plan's funded status of amounts recognized in the Hospital's financial statements at April 30, 1995 & 1994.

	<u>April 30</u>	
	<u>1995</u>	<u>1994</u>
Actuarial Present Value of Benefit Obligations:		
Vested Benefit Obligations	\$ 7,573,890	\$ 7,121,602
Nonvested Benefit Obligation	<u>134,435</u>	<u>113,855</u>
Accumulated Benefit Obligation	7,708,325	7,235,457
Effect of Projected Future Compensation Levels	<u>1,964,616</u>	<u>1,923,692</u>
Estimated Projected Benefit Obligation	9,672,941	9,159,149
Plan Assets at Fair Value	<u>9,475,647</u>	<u>9,206,500</u>
Funded Status--Plan Assets in Excess (Deficiency) of Projected Benefit Obligation	(197,294)	47,351
Unrecognized Net Gain from Past Experience Different from that Assumed	(206,344)	(277,992)
Prior Service Cost Not Yet Recognized in Net Periodic Costs	678,016	787,029
Unrecognized Net (Gain) or Loss Occurring During the Year	<u>1,036,924</u>	<u>745,727</u>
Prepaid Pension Costs	<u>\$ 1,311,302</u>	<u>\$ 1,302,115</u>

10. COMPENSATED ABSENCES

Paid Time Off Plan

Effective November 1, 1989, the Hospital established a Paid Time Off Plan which combines traditional days off such as vacation, holidays, funeral leave and short illness into one program offering the employee more flexibility.

Paid Time Off is a plan that provides more time for the employee's personal use. The Paid Time Off (PTO) Plan covers both full time and part-time employees on a prorata basis. Part-time employees working less than 87 hours per month are not eligible for PTO benefits.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

10. COMPENSATED ABSENCES (CONT'D)

PTO is earned in hours each month. PTO may be accrued to a maximum of twice the annual benefit allowed. It covers virtually any absence including holidays, vacation, personal leave, illness of family members, funeral leave, mental health days and employee's own short term illness, etc.

Compensated absences under the Paid Time Off Plan do vest and accumulate with the appropriate accrual therefor recorded in the accounts. The total liability at April 30, 1995 and 1994, was \$704,032 and \$644,410, respectively.

Extended Illness Days Plan

Also effective November 1, 1989, the Hospital established an Extended Illness Days (EID) Plan which represents a form of short term disability insurance for the employee when he/she is off work because of his/her own illness. The first five work days (40 work hours) of an illness are not covered by this plan which is only available for full time employees and weekend option employees.

Unlike PTO, EID's are paid only if the employee is ill for more than five consecutive work days. EID's are accrued at the rate of 2 hours per month, or 52 hours per year. These may accrue to a maximum of 480 hours.

Compensated absences under the Extended Illness Days Plan do vest and accumulate, but no accrual therefore is recorded in the accounts.

11. LEASE COMMITMENTS

The Lincoln Parish Police Jury leases the Hospital to Lincoln Public Benefit Corporation (LPBC) who in turn subleases the Hospital to Lincoln General Hospital, Inc. for operation.

On August 20, 1993, Lincoln General Hospital executed an Amended and Restated Sublease and Operating Agreement with Lincoln Public Benefit Corporation to sublease the Hospital, effective August 1, 1993. The term of the sublease commenced on September 1, 1982 (the date of execution of the original Sublease and Operating Agreement) and extends through August 1, 2008. Rental commitments are as follows:

1. Basic rental (Basic Lease Payments) of \$10,000 is payable per month in advance for the term of the lease and operating agreement.

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1995 & 1994

11. LEASE COMMITMENTS (CONT'D)

2. Additional rent (additional Lease Payments) is payable in an amount sufficient to timely pay principal and interest on the \$7,000,000 of Hospital Revenue Bonds cited below.

Interest is payable semiannually on January 1 and July 1 of each year, and commenced on January 1, 1994.

Principal shall mature in installments in the following amounts and on the following dates:

<u>Maturity Date</u>	<u>Annual Principal Installments</u>
July 1, 1995 through 1998	\$ 733,333
July 1, 1999 through 2008	333,333

3. Extraordinary rent (Extraordinary Lease Payments) is due the Lincoln Public Benefit Corporation by Lincoln General Hospital, Inc. in any amount reasonably required by the Lincoln Public Benefit Corporation or the Lincoln Parish Police Jury under the Bond Resolution or the sublease agreement including but not limited to any fees to paying agents or registrars for the bonds, accountants reports or certifications or attorneys fees.

The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 1995, that have initial or remaining lease terms in excess of one year.

<u>Year Ending April 30</u>	<u>LPBC Basic Lease Payments</u>	<u>LPBC Additional Lease Payments</u>	<u>Other Minimum Lease Payments</u>	<u>Total Minimum Lease Payments</u>
1996	120,000	994,054	46,216	1,160,270
1997	120,000	960,248	6,290	1,086,538
1998	120,000	926,440		1,046,440
1999	120,000	892,638 ³		1,012,638
2000	120,000	540,864 ³		660,864
2001-2009	<u>880,000</u>	<u>3,298,473³</u>		<u>4,178,473</u>
Totals	<u>\$ 1,480,000</u>	<u>\$ 7,612,717</u>	<u>\$ 52,506</u>	<u>\$ 9,145,223</u>

³Assumes Interest Rate of 4.61%

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1995 & 1994

11. LEASE COMMITMENTS (CONT'D)

Total rental expense for all operating leases for the years ended April 30, 1995 and 1994, was as follows:

Year Ending <u>April 30</u>	LPBC Basic Lease Payments	LPBC Additional Lease Payments	Other Rental Payments	Total Rental & Lease Payments
1995	\$ <u>120,000</u>	\$ <u>1,064,450</u>	\$ <u>122,564</u>	\$ <u>1,307,014</u>
1994	\$ <u>120,000</u>	\$ <u>801,800</u>	\$ <u>130,335</u>	\$ <u>1,052,135</u>

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

12. HOSPITAL REVENUE BONDS

On July 27, 1993, the Lincoln Parish Police Jury, owner of the Hospital, adopted a resolution to issue \$7,000,000 of fifteen (15) year Hospital Revenue Bonds to finance the acquisition, construction and equipping of improvements, renovations, additions and expansions to the Hospital. The bonds were sold on August 24, 1993, with an interest rate of 4.61% for the first five years. The interest rate will be adjusted for the subsequent second and third five year periods.

The Bonds are payable as to principal and interest solely from a dedication and pledge of the net income and revenues derived or to be derived from the operation of the Hospital subject to the prior pledge of the income and revenues of the Hospital for the payment of the reasonable and necessary expenses of operating and maintaining the Hospital as defined in the Bond Resolution.

13. RELATED PARTY TRANSACTIONS

At April 30, 1995 and 1994, the Due to Lincoln General Hospital, Inc. from LGG, Inc., included promissory notes in the amount of \$115,050 and \$121,050, respectively, payable on demand with interest at 8% per annum. Accrued interest receivable at April 30, 1995 and 1994, on the above notes was \$7,861 and \$2,306, respectively. Interest income from LGG, Inc. for years ended April 30, 1995 and 1994 was \$9,501 and \$6,146, respectively.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

13. RELATED PARTY TRANSACTIONS (CONT'D)

The Hospital expensed Physical Therapy fees to Ruston Outpatient Physical Therapy Services in the amount of \$238,548 and \$176,646 for the years ended April 30, 1995 and 1994. Included in accounts payable at April 30, 1995 and 1994, is \$24,419 and \$14,238, respectively, of the above expenses. Rental payments received from Ruston Outpatient Physical Therapy Services for use of the Hospital's facilities for outpatient procedures were \$7,057 and \$9,409 for years ended April 30, 1995 and 1994.

LGG, Inc. expensed management fees to the Hospital in the amount of \$4,000 and \$8,000 for the years ended April 30, 1995 and 1994, respectively.

At April 30, 1995 and 1994, the Due to Lincoln General Hospital, Inc. from NurseSource Home Care, Inc. included promissory notes in the amount of \$139,262 and \$77,877 payable on demand with interest at 8% per annum. Accrued interest receivable included in the above note was \$7,540 for the year ended April 30, 1995.

NurseSource Home Care, Inc. expensed management fees to the Hospital in the amount of \$19,000 and \$24,000 for the years ended April 30, 1995 and 1994, respectively.

14. INCOME TAXES

For the year ended April 30, 1995, LGG, Inc. recorded a deferred Federal Income Tax of \$352 and a current tax provision of \$34,700. The deferred tax expense computed at the statutory rate is due primarily to a contribution allowed and a carryover.

The following is a reconciliation of book income and taxable income for LGG, Inc., NurseSource Home Care, Inc. and Consolidated Income.

	<u>LGG, Inc.</u>	<u>NurseSource Home Care, Inc.</u>	<u>Consolidated Income</u>
Net Income (Loss) Before Provision for Federal & LA Income Tax	\$ 87,061	(\$ 549)	\$ 86,512
Nondeductible Expenses	50,069		50,069
Contributions Allowed	(9,780)		(9,780)
Contribution Carryover	5,122		<u>5,122</u>
Taxable Income			<u>\$ 131,923</u>

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

14. INCOME TAXES (CONT'D)

NurseSource Home Care, Inc. has a loss carryover of \$94,840 that may be offset against future Louisiana taxable income. The loss expires in 2009. Deferred Louisiana income tax benefits of \$3,794 (computed at the statutory rate of 4%) net of a valuation allowance of \$3,794 would be -0- for the year ended April 30, 1995.

IGG, Inc., a LA non-profit corporation, is exempt from LA Income Tax as previously noted. However, it filed a LA Income Tax Return and paid LA Income Tax of \$3,859.00 for the year ended April 30, 1992, for which a claim for refund has been filed.

15. LITIGATION

The Hospital is involved in litigation arising from claims that have been asserted against the Hospital and are currently in various stages of litigation, the outcome of which is uncertain at the present time.

16. EMPLOYEE GROUP HEALTH AND LIFE INSURANCE PLAN #501

DESCRIPTION OF THE PLAN

The following description of the Lincoln General Hospital (Hospital) Employee Group Health & Life Insurance Plan #501 (Plan) provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

A. General

The Plan provides medical and life insurance benefits covering substantially all employees of the Hospital. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

B. Benefits

The Plan provides medical, life, and accidental death and dismemberment insurance benefits covering employees of the Hospital working not less than 24 hours per week. The Plan also provides medical benefits to employee dependents if the employee elects to make the required contribution. The Plan provides continuation of coverage to terminated employees and dependents who elect continuation of coverage and make the required contributions. The Group Life and Accidental Death and Dismemberment Insurance is fully insured. Life and Accidental Death and Dismemberment Insurance benefits, not to exceed \$100,000 or less than \$15,000, are determined from base earnings. Medical benefits and administrative costs are self-funded by the hospital.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

16. EMPLOYEE GROUP HEALTH AND LIFE INSURANCE PLAN #501 (CONT'D)

C. Contributions

The Plan Document provides that the Plan is entirely voluntary on the part of the Employer, Lincoln General Hospital, Inc., and may be terminated by the employer at any time. The Plan Supervisor, Employee Benefit Services, Inc., makes periodic recommendations to the Hospital Board of Directors, concerning monthly deposit rates for employees covered and rates for those employees electing to make the required contribution for dependent and continuing coverage.

Deposits are calculated monthly based on the above rates and payments are made to the Plan Account to cover the Plan's financial obligations.

Employee contributions represent amounts withheld from or paid by employees or former employees for dependent or continuing coverage and are paid to the Plan account.

D. Accounting Policies

Plan Liabilities for health claims incurred but not reported as of April 30, 1995 and 1994, are estimated by the Plan Administrator, Lincoln General Hospital and the Plan Supervisor, Employee Benefit Services, Inc.

E. Plan Amendments

Effective January 1, 1994, the term Employer was amended to include NurseSource Home Care, Inc.

Effective February 25, 1994, the term "pre-existing condition" was clarified.

F. Excess Risk, Life, Accidental Death and Dismemberment Insurance Contracts

Lincoln General Hospital, Inc. has contracted with Guarantee Mutual Life Company for aggregate and specific excess risk insurance and life insurance. The Hospital has also contracted with Continental Casualty Company for Accidental Death and Dismemberment Insurance.

G. Income Tax Status

A recent determination letter has not been obtained from the Internal Revenue Service. However, the Plan Administration believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1995 & 1994

17. FUND EQUITY

Reservations of Retained earnings and fund balances are created to indicate that a portion or all the balance is segregated for a specific future use. Following is a list of all reserves used and a description of each.

Reserved for Capital Improvements - An account used to segregate a portion of retained earnings for capital expenditures in future years.

Reserved for Health Claims - An account used to segregate retained earnings for Health Claims payable for employees and beneficiaries in future years.

Reserved for Scholarships - An account used to segregate fund balance for Nursing Scholarships in future years.

18. BOARD MEMBER COMPENSATION

No compensation was paid to any member of the boards of directors. Board members who served during the year ended April 30, 1995, are listed below.

<u>Board Member</u>	<u>Member of Board</u>			<u>Compensation</u>
	<u>Lincoln General</u>	<u>I.G.G., Inc.</u>	<u>NurseSource Home Care</u>	
Mr. Benny Denny	X			None
Mr. Wilbert Ellis	X	X	X	None
Mr. Don Faust	X	X	X	None
Mr. Charles M. Fuller	X			None
Ms. Delores Harris	X			None
Mr. Dan Hollingsworth	X			None
Mr. David Lewis		X	X	None
Mr. Ted McKinney	X			None
Dr. Randy McWorter	X			None
Dr. Larry Neal	X			None
Mr. Thomas W. Rogers	X	X	X	None
Mr. Reagan Sutton		X	X	None
*Mr. Joseph R. Thomas	X	X	X	None
<u>Ex-Officio</u>				
Mr. H. F. Delony	X			None
Dr. Robert A. Francis	X			None

*Member Retired April 30, 1995

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1995 & 1994

19. CONCENTRATIONS OF CREDIT RISK & CREDIT RISK ARISING FROM DEPOSITS
 IN EXCESS OF INSURED LIMITS

The Hospital is located in Ruston, Lincoln Parish, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local area residents who are insured under third-party payor agreements. Revenues from patients and third-party payors were \$36,212,394 and \$31,280,573 for the years ended April 30, 1995, and 1994, respectively.

The Hospital maintains cash balances at several financial institutions located in Lincoln Parish, Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At April 30, 1995, the Hospital's uninsured cash balances total \$438,171.

20. SEGMENT INFORMATION - ENTERPRISE FUND

The Hospital maintains two funds which are intended to be self-supporting through user charges for goods and services provided to the general public for Hospital & Home Care. Financial segment information not presented in the financial statements is presented below.

	<u>NurseSource Home Care, Inc.</u>	<u>Lincoln General Hospital, Inc.</u>
Depreciation Expense	\$ 1,120	\$2,271,382
Property & Equipment		
Additions	\$ 2,034	\$2,725,313
Dispositions		\$ 245,946
Net Working Capital	(\$ 55,510)	\$9,085,132

21. OTHER COMMITMENTS

The Hospital had outstanding commitments for the purchase of equipment in the amount of \$58,327 and \$54,920 as of April 30, 1995 and 1994, respectively.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Hospital's Board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Lincoln General Hospital, Inc.

This fund is used to account for the operations of the Hospital.

NurseSource Home Care, Inc.

This fund is used to account for the operations of NurseSource Home Care, Inc.

LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING BALANCE SHEET
 APRIL 30, 1995
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

LINCOLN
 GENERAL
 HOSPITAL, INC.

ASSETS

CURRENT ASSETS

Cash	\$ 777,620
Investment Securities	1,255,775
Total Cash & Cash Equivalents	2,033,395
Assets Whose Use is Limited and are Required for Current Liabilities	838,219
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1995 - \$3,185,000 & 1994 - \$2,886,728	7,312,454
Allowance for Medicare & Medicaid Adjustments 1995 - \$3,588,820 & 1994 - \$2,974,955	(27,366)
Other Accounts Receivable	122,933
Due from IGG, Inc.	139,262
Due from NurseSource Home Care, Inc.	136,002
Estimated Third-Party Payor Settlements	1,284,956
Inventories @ Cost (FIFO)	194,030
Prepaid Expenses	12,088,595
Total Current Assets	22,088,595

ASSETS WHOSE USE IS LIMITED

By Board for Capital Improvements

Investment Securities	5,770,045
Less Assets Whose Use is Limited and That are Required for Current Liabilities	(838,219)
Noncurrent Assets Whose Use is Limited	4,931,826

PROPERTY & EQUIPMENT, NET OF ACCUMULATED

DEPRECIATION (1995 - \$9,953,443; 1994 - \$7,911,995)	9,467,928
--	-----------

OTHER ASSETS

Prepaid Pension Costs	1,311,302
Organization Cost - Net Deposits	1,311,302
Total Other Assets	2,622,604

TOTAL ASSETS \$27,799,653

(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	1995	1994
\$ 20,730	\$ 798,350	\$ 462,633
20,730	1,255,775	1,199,503
	2,054,125	1,662,136
	838,219	66,099
70,616	7,383,070	5,048,514
	27,366	3,147
	122,911	123,356
	139,262	77,877
16,238	152,240	592,727
1,970	1,286,926	1,166,574
	194,030	265,181
109,554	12,198,149	9,005,611
	5,770,045	3,380,375
	(838,219)	(66,099)
	4,931,826	3,314,276
6,351	9,474,279	9,049,382
	1,311,302	1,302,115
10,641	10,641	13,544
208	208	208
10,649	1,322,151	1,315,867
\$ 126,754	\$27,926,405	\$22,685,136

LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING BALANCE SHEET
 APRIL 30, 1995
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

LINCOLN
 GENERAL
 HOSPITAL, INC.

LIABILITIES & FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 1,143,570
Current Installments of Long-Term Debt	372,142
Current Installments of Capital Lease Obligations	19,352
Accrued Payroll & Related Liabilities Due to Lincoln General Hospital, Inc.	1,303,347
Due to Employee Group Health & Life Insurance Plan #501	111,684
Other Accrued Liabilities	50,423
Deferred Revenue	2,925
Total Current Liabilities	3,003,443

LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS

1,570,715

CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS

30,146

Total Liabilities

4,604,304

FUND EQUITY

Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued & Outstanding	-
Retained Earnings (Deficit) Reserved for Capital Improvements	4,931,827
Unreserved	18,263,520
Total Retained Earnings (Deficit)	23,195,347

TOTAL FUND EQUITY (DEFICIT)

23,195,347

Commitments & Contingent Liabilities
 (Notes 2, 7, 8, 9, 10, 11, 12, 15, 19 & 21)

TOTAL LIABILITIES & FUND EQUITY

\$27,799,651

(Concluded)

The accompanying notes are an integral part of this statement.

NURSESOURCE
HOME
CARE, INC.

TOTALS
April 30
1995 1994

\$ 2,528	\$ 1,146,098	\$ 675,500
	372,142	12,354
	19,352	20,536
21,909	1,325,256	1,148,564
139,262	139,262	77,877
	113,049	110,319
1,365	50,423	45,737
	2,925	2,925
165,064	3,168,507	2,093,812
	1,570,715	4,118
	30,146	51,807
165,064	4,769,368	2,149,737
56,530	56,530	56,530
(24,840)	4,931,827	3,314,276
(24,840)	18,168,680	17,164,593
(38,310)	23,100,507	20,478,869
	23,157,037	20,835,399
\$ 126,754	\$27,926,405	\$22,685,136

LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING STATEMENT OF REVENUES,
 EXPENSES, & CHANGES IN RETAINED EARNINGS
 YEAR ENDED APRIL 30, 1995
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

LINCOLN
 GENERAL HOSPITAL, INC.

OPERATING REVENUES

Net Patient Service Revenues	\$36,212,394
Other Operating Revenues	567,657
Total Operating Revenues	<u>36,780,051</u>

OPERATING EXPENSES

Salaries	14,122,142
Employee Benefits	2,442,132
Supplies	6,370,891
Departmental Expense	1,308,475
Professional Fees	1,599,806
Dues and Subscriptions	118,004
Travel & Education	58,233
Depreciation & Amortization	1,640,268
Leases & Rentals	1,307,014
Service Contracts	619,503
Building & Equipment Repairs	263,178
Utilities & Telephone	683,529
Legal, Audit, & Consulting	163,892
Collection Fees	121,978
Advertising	84,398
Insurance, Taxes, & Licenses	387,298
Interest Expense	64,218
Bad Debts Expense	2,143,792
Personnel & Recruitment Expense	39,131
Net Periodic Pension Costs	325,150
Auxiliary & Other Volunteer Expense	999
Medical Staff & Governing Board Expense	<u>20,422</u>
Total Operating Expenses	<u>33,884,460</u>
Income (Loss) from Operations	2,895,591
Nonoperating Revenues (Expenses)	(273,404)
NET INCOME (LOSS)	2,622,187
(Increase) in Retained Earnings	
Reserved for Capital Improvements	(1,617,551)
Net Change in Unreserved Retained Earnings for the Year	1,004,636
RETAINED EARNINGS (DEFICIT)-UNRESERVED, BEGINNING	<u>17,258,884</u>
RETAINED EARNINGS (DEFICIT)-UNRESERVED, ENDING	<u>\$18,263,520</u>

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1995	1994
\$ 294,001	\$36,506,395	\$31,379,730
	567,657	578,352
<u>294,001</u>	<u>37,074,052</u>	<u>31,958,082</u>
166,546	14,288,688	13,474,983
22,455	2,464,587	2,343,697
10,755	6,381,646	5,946,608
21,300	1,329,775	1,327,935
12,562	1,612,868	1,693,163
1,311	119,315	67,293
16,697	74,930	73,595
4,022	1,644,290	1,546,603
13,640	1,320,654	1,064,648
	619,503	524,405
862	264,040	212,315
5,613	689,142	619,769
7,800	171,692	161,937
	121,978	153,129
1,454	85,852	60,672
1,993	389,291	403,769
7,540	71,758	9,519
	2,143,792	2,195,613
	39,131	44,997
	325,150	336,277
	999	1,450
	<u>20,429</u>	<u>19,872</u>
<u>294,550</u>	<u>34,179,010</u>	<u>32,282,251</u>
(549)	2,895,042	(324,169)
	(273,404)	(30,113)
(549)	2,621,638	(354,282)
	(1,617,551)	(2,087,370)
(549)	1,004,087	(2,441,652)
(94,291)	<u>17,164,593</u>	<u>19,606,245</u>
(\$ 94,840)	<u>\$18,168,680</u>	<u>\$17,164,593</u>

LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED APRIL 30, 1995
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

LINCOLN
 GENERAL
 HOSPITAL, INC.

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss)	\$ 2,622,187
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	2,271,382
Amortization/Organization Cost	
Provision for Bad Debts	2,143,792
Loss on Disposal of Equipment	19,698
Changes in Assets & Liabilities:	
(Increase) Decrease in Patient Accounts Receivable	(4,434,195)
(Increase) Decrease in Accounts Receivable Other	(24,219)
Decrease (Increase) in Third-Party Payor Settlements	456,725
(Increase) in Accrued Interest LGG, Inc. Note	(5,555)
(Increase) in Deposits	
(Increase) in Inventories	(118,714)
Decrease (Increase) in Prepaid Expenses	71,151
(Increase) Decrease in Prepaid Pension Costs	(9,187)
(Decrease) Increase in Accounts Payable	64,970
Increase in Accrued Payroll & Related Liabilities	159,433
Increase in Due to Employee Group Health & Life Insurance Plan #501	1,959
Increase in Other Accrued Liabilities	<u>4,686</u>
Total Adjustments	<u>601,926</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,224,113</u>

(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1995	1994
(\$ 549)	\$ 2,621,638	(\$ 354,282)
970	2,272,352	1,600,918
2,902	2,902	967
	2,143,792	2,195,613
	19,698	91,528
(44,153)	(4,478,348)	779,448
	(24,219)	3,573
(16,239)	440,486	(119,039)
	(5,555)	(1,638)
		(208)
(1,637)	(120,351)	(76,769)
	71,151	(132,201)
	(9,187)	26,857
1,111	66,081	(710,486)
17,259	176,692	154,112
771	2,730	11,700
	4,686	8,308
(39,016)	562,910	3,832,683
(39,565)	3,184,548	3,478,401

LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED APRIL 30, 1995
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

	<u>LINCOLN GENERAL HOSPITAL, INC.</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Collection on IGG, Inc. Note	\$ 6,000
Loan to IGG, Inc.	
Loan to NurseSource Home Care, Inc.	(61,385)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(55,385)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>	
Loan from Lincoln General Hospital, Inc.	
Acquisition and Construction of Capital Assets	(419,072)
Proceeds from Sale of Equipment	1,402
(Increase) in Assets Whose Use is Limited Organization Cost	(2,261,135)
Common Stock	
Principal Payments on Long-Term Debt	(94,875)
Payments on Capital Lease Obligations	(22,845)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(2,796,525)
NET INCREASE IN CASH & CASH EQUIVALENTS	372,203
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,661,192</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,033,395</u>
<u>Supplemental Disclosures of Cash Flow Information</u>	
Cash Paid During the Year For	
Interest	\$ 56,547
<u>Supplemental Disclosure of Non-Cash Investing and Financing Activity</u>	
Purchase of Equipment with Financing Obligations	\$ 1,892,725
Escrow Account Funded with Financing Obligation	<u>128,535</u>
Total Amount Financed	<u>\$ 2,021,260</u>

(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1995	1994
	\$ 6,000	\$ 12,000
	(61,385)	(83,050)
	(55,385)	(77,877)
		(148,927)
61,385	61,385	77,877
(2,034)	(421,106)	(1,171,132)
	1,402	29,880
	(2,261,135)	(1,516,346)
		(14,511)
	(94,875)	56,530
	(22,845)	(12,662)
		(21,427)
59,351	(2,737,174)	(2,571,791)
19,786	391,989	757,683
944	1,662,136	904,453
\$ 20,730	\$ 2,054,125	\$ 1,662,136
\$ -0-	\$ 56,547	\$ 9,519
\$ -0-	\$ 1,892,725	\$ -0-
-0-	128,535	-0-
\$ -0-	\$ 2,021,260	\$ -0-

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE BALANCE SHEETS
APRIL 30, 1995 & 1994

	April 30	
ASSETS	1995	1994
CURRENT ASSETS		
Cash	\$ 777,620	\$ 461,689
Investment Securities	1,255,775	1,199,503
Total Cash & Cash Equivalents	2,033,395	1,661,192
Assets Whose Use is Limited and are Required for Current Liabilities	838,219	66,099
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1995 - \$3,185,000 & 1994 - \$2,886,728		
Allowance for Medicare & Medicaid Adjustments 1995 - \$3,553,000 & 1994 - \$2,965,847	7,312,454	5,020,304
Other Accounts Receivable	27,366	4,892
Due from LGG, Inc.	122,911	123,356
Due from NurseSource Home Care, Inc.	139,262	77,877
Estimated Third-Party Payor Settlements	136,002	592,727
Inventories @ Cost (FIFO)	1,284,956	1,166,242
Prepaid Expenses	194,030	265,181
Total Current Assets	12,088,595	8,977,870
ASSETS WHOSE USE IS LIMITED		
<u>By Board for Capital Improvements</u>		
Investment Securities	5,770,045	3,380,375
Less Assets Whose Use is Limited and That are Required for Current Liabilities	(838,219)	(66,099)
Noncurrent Assets Whose Use is Limited	4,931,826	3,314,276
PROPERTY & EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (1995 - \$9,952,068; 1994 - \$7,911,590)	9,467,928	9,035,098
OTHER ASSETS - PREPAID PENSION COSTS	1,311,302	1,302,115
TOTAL ASSETS	\$27,799,651	\$22,629,359

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE BALANCE SHEET
APRIL 30, 1995 & 1994

	April 30	
	1995	1994
LIABILITIES & FUND EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,143,570	\$ 665,083
Current Installments of Long-Term Debt	372,142	12,354
Current Installments of Capital Lease Obligations	19,352	20,536
Accrued Payroll & Related Liabilities Due to Employee Group Health & Life Insurance Plan #501	1,303,347	1,143,914
Other Accrued Liabilities	111,684	109,725
Deferred Revenue	50,423	45,737
	2,925	2,925
Total Current Liabilities	3,003,443	2,000,274
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS	1,570,715	4,118
CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS	30,146	51,807
Total Liabilities	4,604,304	2,056,199
FUND EQUITY		
Retained Earnings		
Reserved for Capital Improvements	4,931,827	3,314,276
Unreserved	18,263,520	17,258,884
Total Fund Equity	23,195,347	20,573,160
Commitments & Contingent Liabilities (Notes 2, 7, 8, 9, 10, 11, 12, 15, 19 & 21)	-----	-----
TOTAL LIABILITIES & FUND EQUITY	\$27,799,651	\$22,629,359

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES & CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
OPERATING REVENUES		
Net Patient Service Revenues	\$36,212,394	\$31,280,573
Other Operating Revenues	567,657	578,352
Total Operating Revenues	<u>36,780,051</u>	<u>31,858,925</u>
OPERATING EXPENSES		
Salaries	14,122,142	13,379,106
Employee Benefits	2,442,132	2,332,208
Supplies	6,370,891	5,936,196
Departmental Expense	1,308,475	1,291,200
Professional Fees	1,599,806	1,690,281
Dues and Subscriptions	118,004	66,836
Travel & Education	58,233	71,893
Depreciation & Amortization	1,640,268	1,545,233
Leases & Rentals	1,307,014	1,052,135
Service Contracts	619,503	524,405
Building & Equipment Repairs	263,178	211,229
Utilities & Telephone	683,529	613,257
Legal, Audit, & Consulting	163,892	158,347
Collection Fees	121,978	153,129
Advertising	84,398	59,269
Insurance, Taxes, & Licenses	387,298	398,036
Interest Expense	64,218	7,583
Bad Debts Expense	2,143,792	2,195,613
Personnel & Recruitment Expense	39,131	44,997
Net Periodic Pension Costs	325,150	336,277
Auxiliary & Other Volunteer Expense	999	1,450
Medical Staff & Governing Board Expense	<u>20,429</u>	<u>19,872</u>
Total Operating Expenses	<u>33,884,460</u>	<u>32,088,552</u>
Income (Loss) from Operations	2,895,591	(229,627)
Nonoperating Revenues (Expenses)	(273,404)	(30,364)
NET INCOME (LOSS)	2,622,187	(259,991)
(Increase) in Retained Earnings		
Reserved for Capital Improvements	(1,617,551)	(2,087,370)
Net Change in Unreserved Retained Earnings for the Year	1,004,636	(2,347,361)
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>17,258,884</u>	<u>19,606,245</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>\$18,263,520</u>	<u>\$17,258,884</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 2,622,187	(\$ 259,991)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	2,271,382	1,600,513
Provision for Bad Debts	2,143,792	2,195,613
Loss on Disposal of Equipment	19,698	91,528
Changes in Assets & Liabilities:		
(Increase) Decrease in Patient Accounts Receivable	(4,434,195)	807,658
(Increase) Decrease in Accounts Receivable Other	(24,219)	1,828
Decrease (Increase) in Third- Party Payor Settlements	456,725	(119,039)
(Increase) in Accrued Interest LGG, Inc. Note	(5,555)	(1,638)
(Increase) in Inventories	(118,714)	(76,437)
Decrease (Increase) in Prepaid Expenses	71,151	(132,201)
(Increase) Decrease in Prepaid Pension Costs	(9,187)	26,857
Increase (Decrease) in Accounts Payable	64,970	(720,903)
Increase in Accrued Payroll & Related Liabilities	159,433	149,462
Increase in Due to Employee Group Health & Life Insurance Plan #501	1,959	11,106
Increase in Other Accrued Liabilities	4,686	8,308
Total Adjustments	601,926	3,842,655
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,224,113	3,582,664

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1 9 9 5</u>	<u>1 9 9 4</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection on LGG, Inc. Note	\$ 6,000	\$ 12,000
Loan to LGG, Inc.		(83,050)
Loan to NurseSource Home Care, Inc.	(61,385)	(77,877)
NET CASH (USED) BY INVESTING ACTIVITIES	(55,385)	(148,927)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(419,072)	(1,156,443)
Proceeds from Sale of Equipment	1,402	29,880
(Increase) in Assets Whose Use is Limited	(2,261,135)	(1,516,346)
Principal Payments on Long-Term Debt	(94,875)	(12,662)
Payments on Capital Lease Obligations	(22,845)	(21,427)
NET CASH (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(2,796,525)	(2,676,998)
NET INCREASE IN CASH & CASH EQUIVALENTS	372,203	756,739
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,661,192</u>	<u>904,453</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,033,395</u>	<u>\$ 1,661,192</u>
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year For		
Interest	\$ 56,547	\$ 7,583
Supplemental Disclosure of Non Cash Investing and Financing Activity		
Purchase of Equipment with Financing Obligation	\$ 1,892,725	\$ -0-
Escrow Account Funded with Financing Obligation	<u>128,535</u>	<u>-0-</u>
Total Amount Financed	<u>\$ 2,021,260</u>	<u>\$ -0-</u>

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
NURSESOURCE HOME CARE, INC.
COMPARATIVE BALANCE SHEETS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>April 30</u>	
	<u>1995</u>	<u>1994</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 20,730	\$ 944
Patient Accounts Receivable, Less Allowance for Medicare, Medicaid and Other Adjustments (1995 - \$35,820; 1994 - \$9,180)	70,616	26,465
Estimated Third-Party Payor Settlements	16,238	
Inventories at Cost (FIFO)	<u>1,970</u>	<u>332</u>
Total Current Assets	109,554	27,741
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (1995 - \$1,375; 1994 - \$405)	6,351	14,284
OTHER ASSETS		
Organization Costs - Net	10,641	13,544
Deposits	<u>208</u>	<u>208</u>
TOTAL ASSETS	<u>\$ 126,754</u>	<u>\$ 55,777</u>
LIABILITIES & FUND EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,528	\$ 10,417
Accrued Payroll & Related Liabilities	21,909	4,650
Due to Employee Group Health & Life Insurance Plan #501	1,365	594
Due to Lincoln General Hospital, Inc.	<u>139,262</u>	<u>77,877</u>
Total Liabilities	<u>165,064</u>	<u>93,538</u>
FUND EQUITY		
Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued and Outstanding	56,530	56,530
Retained Earnings (Deficit) Unreserved	(<u>24,840</u>)	(<u>24,291</u>)
Total Fund Equity (Deficit)	(<u>38,310</u>)	(<u>37,761</u>)
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 126,754</u>	<u>\$ 55,777</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
NURSESOURCE HOME CARE, INC.
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, &
CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
OPERATING REVENUES		
Net Patient Service Revenues	\$ 294,001	\$ 99,157
OPERATING EXPENSES		
Salaries	166,546	95,877
Employee Benefits	22,455	11,489
Supplies	10,755	10,412
Audit & Accounting	6,300	3,590
Physical Therapy Services	5,670	675
Professional Fees	6,892	2,207
Dues and Subscriptions	1,311	457
Travel & Education	16,697	1,702
Depreciation	1,120	405
Rent - Building	13,640	8,999
Security Payments		3,790
Equipment Leases & Rentals		3,514
Equipment Repairs	862	1,086
Utilities & Telephone	5,613	6,512
Management Fees	19,000	24,000
Medicare Cost Report	1,500	
Miscellaneous Administrative		8,061
Advertising	1,454	1,403
Insurance, Taxes & Licenses	1,993	5,733
Interest	7,540	1,936
Other Expense	2,300	884
Amortization/Organization Cost	2,902	967
Total Operating Expense	<u>294,550</u>	<u>193,699</u>
Income (Loss) from Operations	(549)	(94,542)
Nonoperating Revenues		<u>251</u>
NET INCOME (LOSS)	(549)	(94,291)
RETAINED EARNINGS (DEFICIT) - UNRESERVED, BEGINNING	(<u>94,291</u>)	<u>-0-</u>
RETAINED EARNINGS (DEFICIT) - UNRESERVED, ENDING	(\$ <u>94,840</u>)	(\$ <u>94,291</u>)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
NURSESOURCE HOME CARE, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income (Loss)	(\$ 549)	(\$ 94,291)
Adjustments to Reconcile Net Income (Loss) to to Net Cash Provided by Operating Activities:		
Depreciation	1,120	405
Depreciation Adjustment	(150)	
Amortization/Organization Cost	2,902	967
Changes in Assets & Liabilities:		
(Increase) in Patient Accounts Receivable	(44,153)	(26,465)
(Increase) in Third-Party Payor Settlements	(16,239)	
(Increase) in Deposits		(208)
(Increase) in Inventories	(1,637)	(332)
Increase in Accounts Payable	1,111	10,417
Increase in Accrued Payroll & Related Liabilities	17,259	4,650
Increase in due to Employee Group Health & Life Insurance Plan #501	772	594
Total Adjustments	(39,016)	(9,972)
NET CASH (USED) BY OPERATING ACTIVITIES	(39,565)	(104,263)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Loan from Lincoln General Hospital, Inc.	61,385	77,877
Acquisition of Capital Assets	(2,034)	(14,689)
Organization Cost		(14,511)
Common Stock		56,530
NET CASH PROVIDED BY CAPITAL & RELATED FINANCING ACTIVITIES	59,351	105,207
NET INCREASE IN CASH & CASH EQUIVALENTS	19,786	944
CASH & CASH EQUIVALENTS-AT BEGINNING OF YEAR	944	-0-
CASH & CASH EQUIVALENTS - AT END OF YEAR	\$ 20,730	\$ 944
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for Interest	\$ -0-	\$ 1,936

The accompanying notes are an integral part of this statement.

PROPRIETARY FUNDSInternal Service Funds

Internal Service Funds account for the financing of services provided by one fund to another fund or to employees of other funds of the Hospital on a contributory or cost reimbursement basis.

Employee Group Health and Life Insurance Plan #501

This fund accumulates resources to finance medical benefits to employees of the Hospital.

LGG, Inc.

LGG, Inc. is a separate legal entity that has entered into a partnership with Ruston Outpatient Physical Therapy Services, to provide physical therapy services to Lincoln General Hospital, Inc.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
COMBINING BALANCE SHEET
APRIL 30, 1995
WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

	LGG, Inc.	Employee Group Health & Life Ins Plan #501	TOTALS	
			1995	1994
ASSETS				
CURRENT ASSETS				
Cash	\$ 34,299	\$ 292,323	\$ 326,622	\$ 170,998
Investment Management Account		599,533	599,533	572,668
Other Accounts Receivable	3,859		3,859	5,359
Prepaid Expenses				9,703
Deferred Federal Income Tax	1,115		1,115	1,467
Due from Other Funds		113,049	113,049	110,319
Total Current Assets	39,273	1,004,905	1,044,178	870,514
INVESTMENTS				
Investment in Partnership	294,620		294,620	213,356
Investment in NurseSource	81,050		81,050	81,050
Total Investments	375,670		375,670	294,406
OTHER ASSETS				
Organization Cost - Net				6,428
TOTAL ASSETS	\$ 414,943	\$1,004,905	\$1,419,848	\$1,171,348
LIABILITIES & FUND EQUITY				
CURRENT LIABILITIES				
Accounts Payable		\$ 3,400	\$ 3,400	
Accrued Liabilities	\$ 14,997		14,997	\$ 2,971
Due to Other Funds	122,911		122,911	123,356
Health Claims Payable		219,178	219,178	114,651
Estimated Health Claims Incurred but not Reported		140,022	140,022	98,257
Total Liabilities	137,908	362,600	500,508	339,235
FUND EQUITY				
Retained Earnings				
Reserved for Health Claims Unreserved	277,035	642,305	642,305	607,087
TOTAL LIABILITIES & FUND EQUITY	\$ 414,943	\$1,004,905	\$1,419,848	\$1,171,348

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
COMBINING STATEMENT OF REVENUES,
EXPENSES, & CHANGES IN RETAINED EARNINGS
YEAR ENDED APRIL 30, 1995
WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

	LGG, Inc.	Employee Group Health & Life Ins Plan #501	TOTALS	
			April 30	April 30
			1995	1994
OPERATING REVENUES				
Income from Partnership	\$ 121,264		\$ 121,264	\$ 116,320
Employer Contributions		\$1,107,747	1,107,747	1,091,246
Employee Contributions		230,051	230,051	217,660
Refunds on Claims Paid		1,720	1,720	9,441
Specific Loss Reimbursement		38,221	38,221	27,963
Aetna Reimbursement		15,357	15,357	
TOTAL OPERATING REVENUES	121,264	1,393,096	1,514,360	1,462,630
OPERATING EXPENSES	24,203	1,388,864	1,413,067	993,906
OPERATING INCOME	97,061	4,232	101,293	468,724
NON-OPERATING REVENUES (EXPENSES)				
Interest Income		30,986	30,986	14,643
Contribution	(10,000)		(10,000)	(10,000)
INCOME BEFORE INCOME TAX	87,061	35,218	122,279	473,367
FEDERAL INCOME TAX (BENEFIT)	35,052		35,052	(1,170)
NET INCOME	52,009	35,218	87,227	474,537
(Increase) in Retained Earnings Reserved for Health Claims		(35,218)	(35,218)	(388,591)
NET CHANGE IN UNRESERVED RETAINED EARNINGS	52,009		52,009	85,946
RETAINED EARNINGS - UNRESERVED, BEGINNING	225,026		225,026	139,080
RETAINED EARNINGS - UNRESERVED, ENDING	277,035		277,035	225,026
RETAINED EARNINGS - RESERVED, BEGINNING		607,087	607,087	218,496
NET CHANGE IN RESERVED RETAINED EARNINGS		35,218	35,218	388,591
RETAINED EARNINGS - RESERVED, ENDING		642,305	642,305	607,087
TOTAL RETAINED EARNINGS	\$ 277,035	\$ 642,305	\$ 919,340	\$ 832,113

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1995
WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

		Employee Group Health & Life Ins Plan #501	TOTALS April 30	TOTALS April 30
	LGG, Inc.		1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	\$ 52,009	\$ 35,218	\$ 87,227	\$ 474,537
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Amortization of				
Organization Cost	6,428		6,428	6,428
Partnership Net Income	(121,264)		(121,264)	(116,320)
Changes in Assets & Liabilities:				
Decrease in Accounts				
Receivable	1,500		1,500	1,800
(Increase) in Due from Other Funds		(2,730)	(2,730)	(11,700)
Decrease (Increase) in Prepaid Expenses	9,703		9,703	(9,703)
(Increase) Decrease in Deferred Tax	352		352	(1,467)
Increase in Accounts				
Payable		3,400	3,400	
Increase (Decrease) in Accrued Liabilities	17,581		17,581	(6,517)
Increase in Health Claims Payable		104,527	104,527	44,105
Increase (Decrease) in Estimated Health Claims Incurred but not Reported		41,765	41,765	(57,427)
Total Adjustments	(85,700)	146,262	61,262	(150,871)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(33,691)	182,180	148,489	323,666
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in NurseSource				(81,050)
Distribution from Partnership	40,000		40,000	80,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	40,000		40,000	(1,050)

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1995
WITH COMPARATIVE TOTALS FOR APRIL 30, 1994

		Employee Group Health & Life Ins Plan #501	TOTALS April 30	
		1995	1994	
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Proceeds of Note Payable				\$ 83,050
Payment on Note Payable	(6,000)		(6,000)	(12,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(6,000)		(6,000)	71,050
NET INCREASE IN CASH & CASH EQUIVALENTS	309	182,180	182,489	393,666
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	33,990	709,676	743,666	350,000
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 34,299	\$ 891,856	\$ 926,155	\$ 743,666

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for Income Taxes	\$ 12,971	\$ -0-	\$ 12,971	\$ 18,155
Cash paid during the year for Interest	\$ 4,329	\$ -0-	\$ 4,329	\$ 4,712

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
COMPARATIVE BALANCE SHEETS
APRIL 30, 1995 & 1994

	<u>April 30</u>	
	<u>1995</u>	<u>1994</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 34,299	\$ 33,990
Prepaid Federal Income Tax		9,703
Accounts Receivable - Other	3,859	5,359
Deferred Federal Income Tax	<u>1,115</u>	<u>1,467</u>
Total Current Assets	<u>39,273</u>	<u>50,519</u>
INVESTMENTS		
Investment in ROPTS Partnership	294,620	213,356
Investment in NurseSource Home Care, Inc.	<u>81,050</u>	<u>81,050</u>
Total Investments	<u>375,670</u>	<u>294,406</u>
OTHER ASSETS		
Organizational Costs - Net		<u>6,428</u>
TOTAL ASSETS	<u>\$ 414,943</u>	<u>\$ 351,353</u>
LIABILITIES & FUND EQUITY		
CURRENT LIABILITIES		
Accrued Liabilities	\$ 14,997	\$ 2,971
Due to Lincoln General Hospital, Inc.	<u>122,911</u>	<u>123,356</u>
Total Liabilities	137,908	126,327
FUND EQUITY		
Retained Earnings - Unreserved	<u>277,035</u>	<u>225,026</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 414,943</u>	<u>\$ 351,353</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES, & CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
REVENUES		
Income from Partnership	\$ 121,264	\$ 116,320
OPERATING EXPENSES		
Accounting	1,500	
Amortization of Organization Cost	6,428	6,429
Interest	9,884	6,350
Legal Fees	1,170	
Management Fees	4,000	8,000
Miscellaneous	314	66
Penalties		433
Taxes	10	266
Travel	897	
Total Operating Expense	<u>24,203</u>	<u>21,544</u>
Income from Operations	97,061	94,776
NONOPERATING EXPENSE		
Contribution	<u>10,000</u>	<u>10,000</u>
INCOME BEFORE INCOME TAX	<u>87,061</u>	<u>84,776</u>
FEDERAL INCOME TAX (BENEFIT)		
Current	34,700	297
Deferred Tax (Benefit)	<u>352</u>	<u>(1,467)</u>
Total Income Tax (Benefit)	<u>35,052</u>	<u>(1,170)</u>
NET INCOME	52,009	85,946
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>225,026</u>	<u>139,080</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>\$ 277,035</u>	<u>\$ 225,026</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 52,009	\$ 85,946
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization of Organization Costs	6,428	6,428
Partnership Net Income	(121,264)	(116,320)
Changes in Assets & Liabilities:		
Decrease in Accounts Receivable	1,500	1,800
Decrease (Increase) in Prepaid Federal Income Tax	9,703	(9,703)
Decrease (Increase) in Deferred Tax	352	(1,467)
Increase (Decrease) in Accrued Liabilities	17,581	(6,517)
Total Adjustments	(85,700)	(125,779)
NET CASH (USED) BY OPERATING ACTIVITIES	(33,691)	(39,833)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Distribution from Partnership	40,000	80,000
Investment in NurseSource Home Care, Inc.	()	(81,050)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	40,000	(1,050)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Proceeds of Note Payable	()	83,050
Payment on Note Payable	(6,000)	(12,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(6,000)	71,050
NET INCREASE IN CASH & CASH EQUIVALENTS	309	30,167
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	33,990	3,823
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 34,299	\$ 33,990
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for Income Taxes	\$ 12,971	\$ 18,155
Cash paid during the year for Interest	\$ 4,329	\$ 4,712

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501
COMPARATIVE BALANCE SHEETS
APRIL 30, 1995 & 1994

	<u>April 30</u>	
	<u>1995</u>	<u>1994</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 292,323	\$ 137,008
Investment Management Account	599,533	572,668
Due from Lincoln General Hospital, Inc.	111,684	109,725
Due from NurseSource Home Care, Inc.	<u>1,365</u>	<u>594</u>
TOTAL ASSETS	<u>\$ 1,004,905</u>	<u>\$ 819,995</u>
 <u>LIABILITIES & FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 3,400	
Health Claims Payable	219,178	\$ 114,651
Estimated Health Claims Incurred But Not Reported	<u>140,022</u>	<u>98,257</u>
TOTAL LIABILITIES	362,600	212,908
 <u>FUND EQUITY</u>		
Retained Earnings Reserved for Health Claims	<u>642,305</u>	<u>607,087</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 1,004,905</u>	<u>\$ 819,995</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES & CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
OPERATING REVENUES		
Employer Contributions	\$ 1,107,747	\$ 1,091,246
Employee Contributions	230,051	217,660
Refunds on Claims Paid	1,720	9,441
Specific Loss Reimbursement	38,221	27,963
Aetna Reimbursement	<u>15,357</u>	<u> </u>
Total Operating Revenues	<u>1,393,096</u>	<u>1,346,310</u>
OPERATING EXPENSES		
<u>Payments for</u>		
Health Claims	1,076,071	841,783
Excess Risk Insurance Premiums	87,212	73,292
Life Insurance Premiums	24,217	24,758
Accidental Insurance Premiums	2,566	
<u>Additions to (Deductions from) Liabilities For</u>		
Health Claims	146,292	(13,392)
<u>Administrative Expenses</u>		
Administrative Fees	39,697	39,072
Recertification Fees	7,561	6,849
Other Administrative Expenses	<u>5,248</u>	<u> </u>
Total Operating Expenses	<u>1,388,864</u>	<u>972,362</u>
OPERATING INCOME	4,232	373,948
NONOPERATING REVENUES		
Interest Income	<u>30,986</u>	<u>14,643</u>
NET INCOME	35,218	388,591
RETAINED EARNINGS - RESERVED, BEGINNING	<u>607,087</u>	<u>218,426</u>
RETAINED EARNINGS - RESERVED, ENDING	<u>\$ 642,305</u>	<u>\$ 607,087</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1995 & 1994

	<u>Year Ended April 30</u>	
	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 35,218	\$ 388,591
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Changes in Assets & Liabilities:		
(Increase) in Due from Lincoln General Hospital, Inc. for Plan Contributions	(1,959)	(11,106)
(Increase) in Due from NurseSource Home Care, Inc. for Plan Contributions	(771)	(594)
Increase in Accounts Payable	3,400	
Increase in Health Claims Payable	104,527	44,105
Increase (Decrease) in Estimated Health Claims Incurred but not Reported	<u>41,765</u>	<u>(57,497)</u>
Total Adjustments	<u>146,962</u>	<u>(25,092)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>182,180</u>	<u>363,499</u>
NET INCREASE IN CASH & CASH EQUIVALENTS	182,180	363,499
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>709,676</u>	<u>346,177</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 891,856</u>	<u>\$ 709,676</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDSExpendable Trust Funds

Expendable Trust Funds are used to account for funds that are to be used for purposes specified by the donor.

Mary B. Jarrell Scholarship Fund

This fund is used to account for funds that are to be used for nursing scholarships as specified by the donor.

LINCOLN GENERAL HOSPITAL, INC.
EXPENDABLE TRUST FUND
MARY B. JARRELL SCHOLARSHIP FUND
COMPARATIVE BALANCE SHEETS
APRIL 30, 1995 & 1994

	<u>April 30</u>	
	<u>1 9 9 5</u>	<u>1 9 9 4</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 7,727	\$ 1,939
Investment Securities	<u>238,961</u>	<u>242,694</u>
TOTAL ASSETS	<u>\$ 246,688</u>	<u>\$ 244,633</u>
FUND BALANCE		
Reserved for Scholarships	<u>\$ 246,688</u>	<u>\$ 244,633</u>

The accompanying notes are an integral part of this statement.

OTHER INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROBERT E. HOLLADAY III, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Lincoln General Hospital, Inc.
Ruston, Louisiana

I have audited the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc. for the year ended April 30, 1995, and have issued my report thereon dated July 14, 1995.

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

The management of Lincoln General Hospital, 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.


To the Board of Directors
Lincoln General Hospital, Inc.
Ruston, Louisiana

In planning and performing my audit of the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., for the year ended April 30, 1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and the combining and individual fund financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My 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 internal control structure elements does not reduce to a relatively low level the risk that errors and 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. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

However, I noted certain matters involving the internal control structure and its operation that I have reported to the management of Lincoln General Hospital, Inc., in a separate letter dated July 14, 1995.

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


R. E. Holladay III, CPA

Ruston, Louisiana
July 14, 1995

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS
AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Lincoln General Hospital, Inc.
Ruston, Louisiana

I have audited the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., as of and for the year ended April 30, 1995, and have issued my report thereon dated July 14, 1995.

I conducted my 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 I 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 Lincoln General Hospital, Inc., is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Hospital's compliance with certain provisions of laws, regulations and contracts. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I 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 Board of Directors, management, and state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


R. E. Holladay III, CPA

Ruston, Louisiana
July 14, 1995