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LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1993 & 1992

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

Release Date FEB 23 1994

ROBERT E. HOLLADAY III
CERTIFIED PUBLIC ACCOUNTANT

ROBERT E. HOLLADAY III, CPA

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TELEPHONE
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October 15, 1993

Management Letter

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

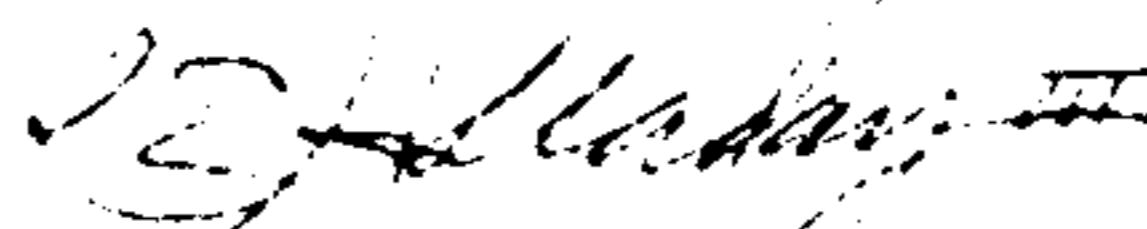
Re: Management Letter & Audit
Year Ended April 30, 1993

In planning and performing my audit of the financial statements of Lincoln General Hospital, Inc. for the year ended April 30, 1993, I considered the Hospital's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of certain immaterial instances of noncompliance with laws, regulations, and contracts and several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. I previously reported on the Hospital's internal control structure in my report dated October 15, 1993, and compliance with laws and regulations in my report dated October 15, 1993. This letter does not affect my report dated October 15, 1993, on the financial statements of Lincoln General Hospital, Inc.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various Hospital personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



R. E. Holladay III, CPA

REH/ap

Attachment

ROBERT E. HOLLADAY III, CPA

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October 15, 1993

Memorandum Attachment to Management Letter

To the Board of Directors
Lincoln General Hospital, Inc.

Immaterial Instances of Noncompliance

Documentation of Compliance

Management of the Hospital is responsible for compliance with laws, regulations, and contracts. Compliance with the above should be adequately documented. Inadequate documentation was noted in the following instances:

Finding 1

Proper documentation should include evidence of advertisement for bids for materials or supplies, per Louisiana Revised Statute 38:2212(3)(b) amended and effective June 5, 1992. A review of expenditures for equipment purchases disclosed that two advertisements were published one time instead of three times.

Recommendation 1

We recommend that greater care be given to documenting the advertisement of bids by noting dates of advertisements and retaining copies of advertisements in the bid files.

Client Response 1

Client concurs in the finding and has implemented additional procedures to ensure that proper advertisement is made and documentation is maintained, including faxing specific instructions with each advertisement and clipping each advertisement as it appears in the newspaper and retaining the above in each bid file. Management is also developing a written policy for procedures for compliance with the bid law.

To the Board of Directors
Lincoln General Hospital, Inc.
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Finding 2

Compliance with the Amended Sublease and Operating Agreement with Lincoln Public Benefit Corporation, V 5.6, requires that written permission from the Lincoln Public Benefit Corporation be secured to trade in old equipment, where the purchase price of such new equipment exceeds \$5,000. A review of expenditures for equipment purchases disclosed that two files did not contain such written permission.

Recommendation 2

We recommend that written permission for such trade-ins be obtained and retained in the bid file as proper documentation.

Client Response 2

Management concurs with the finding and recommendation.

Finding 3

Compliance with the Amended Sublease and Operating Agreement with Lincoln Public Benefit Corporation VI 6.1 requires that written permission from the Lincoln Public Benefit Corporation be secured before any additions or alterations are made to the premises exceeding \$10,000. A review of expenditures for contracts disclosed that one file did not contain such written permission.

Recommendation 3

We recommend that written permission for such additions or alterations be obtained and retained in the bid file as proper documentation.

Client Response 3

Management concurs with the finding and recommendation.

To the Board of Directors
Lincoln General Hospital, Inc.
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Finding 4

Lincoln General Hospital, Inc. is allowed to purchase supplies and materials from a qualified group purchasing organization per Louisiana Revised Statute 38:2212 without adhering to state law requirements for the advertisement and letting of bids whenever the total price of the items to be purchased is less than the total price of those items if purchased from the state bid list. A review of expenditures for equipment disclosed that documentation was not adequate to support two purchases of equipment and one lease purchase of equipment. Documentation included a notation at the bottom of the purchase order "State of Louisiana Pricing" or "Support Health Contract".

Recommendation 4

We recommend that management expand documentation to include a memo regarding telephone conversation with the State of Louisiana and/or qualified purchasing group re: items and vendors in the State Contract catalog and retain copies of items found on the state list in the applicable vendor file. Documentation should clearly disclose that the state contract and/or qualified group purchasing price was obtained in lieu of public bids.

Client Response 4

Management concurs with the finding and recommendation.

Status of Prior Findings

There were no prior compliance findings.

Matters Involving Internal Control
Structure and Its Operations

Finding 1

Proper management of fixed assets includes a system of identification of those assets. Assets are not labeled and could not be specifically identified with the asset list (depreciation schedule) in eight items reviewed. Two assets traded could not be identified for removal from the General Ledger Accounts and depreciation schedule.

Recommendation 1

We recommend that management begin to develop a system of property records with identification of assets to match those records. We also recommend that any property dispositions be documented in the property records with the date and manner of disposition, i.e. sale, trade, scrapped or junked. A form should be prepared and executed by the department head or person who handled the disposition listing the date, manner and name of the party receiving the property.

Client Response 1

Management is studying various property record and identification systems to help better manage identification and disposition of fixed assets.

Finding 2

A review of EDP and disaster recovery control procedures revealed that there is no off-site storage for computer backup files. One of the main reasons for creating backup files of EDP data, programs, and operating systems is to be able to recover in the event of a disaster. This objective is not served if backup files are not kept separate from regular files in a fireproof safe.

Recommendation 2

We recommend that all daily backup files continue to be kept in a fireproof safe. We further recommend that weekly, monthly, and year-end files be properly labeled and stored off premises.

Client Response 2

Management is presently evaluating options in regard to this recommendation and expects to modify backup systems in the current year.

Finding 3

Management is responsible for the proper negotiation and retention of agreements. A review of expenditures for equipment disclosed that one lease agreement was not properly signed by the Lessor Corporation.

Recommendation 3

We recommend that all agreements be carefully reviewed before filing and that any pending matters be reviewed and followed up on regularly.

Client Response 3

Management concurs with the finding and recommendation.

Finding 4

The Medicare Cost Report prepared at the end of each fiscal year is a final accounting prepared under complex Medicare/Medicaid regulations. This report produces a cash settlement either due to or from the fiscal intermediary for the difference in allowable costs under these regulations and the total amount paid to the Hospital for all Medicare/Medicaid patient claims for the entire year. A great deal of accounting and statistical data flows into the cost report from all departments of the Hospital. Accurate and complete information is essential to the preparation of the cost report so that the Hospital receives all of the cost reimbursement to which it is entitled.

Most of the accounting and statistical data required for the cost report is prepared and tabulated at the end of each fiscal year.

To the Board of Directors
Lincoln General Hospital, Inc.
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Recommendation 4

We recommend that the development of the accounting and statistical data needed for the cost report be prepared and tabulated on an ongoing monthly basis to facilitate and ensure the preparation of an accurate cost report at year end.

This condition was cited in our prior management letter.

Client Response 4

Management agrees the monthly accumulation of data would be helpful in cost report preparation. However, this would also likely necessitate the addition of a part-time staff person. The benefit of monthly tabulation of cost report data versus the cost of compiling the data on a monthly basis will be evaluated during the current year.

Status of Other Prior Findings

All other prior findings have been satisfactorily resolved.

LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1993 & 1992

LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1993

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LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1993

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LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1993

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FINANCIAL SECTION

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MEMBER
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225-9521Independent Auditor's Report

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, 1993, and the combining and individual fund financial statements of the Hospital as of and for the years ended April 30, 1993 and 1992, 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 audits.

I conducted my audit in accordance with generally accepted auditing standards. 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, 1993, and the results of its operations and the cash flows of its proprietary fund type 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, 1993 and 1992, and the results of operations of such funds and the cash flows of the individual proprietary fund for the years then ended in conformity with generally accepted accounting principles.



R. E. Holladay III, CPA

Ruston, Louisiana
October 15, 1993

FINANCIAL STATEMENTS

LINCOLN GENERAL HOSPITAL, INC.
COMBINED BALANCE SHEET - ALL FUND TYPES
APRIL 30, 1993

	<u>Proprietary Fund Types</u>	<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Memorandum</u>
			<u>Only</u>
ASSETS			
Cash	\$ 346,336	\$ 84,938	\$ 6,588
Investments at Cost	558,117	265,062	236,117
Assets Whose Use is Limited and are Required for Current Liabilities	637,123		637,123
Patient Accounts Receivable - Net of Allowances of \$4,934,000	6,916,105		6,916,105
Estimated Third-Party Payor Settlements	974,263		974,263
Other Accounts Receivable	6,720		6,720
Due From Other Funds	50,668	98,619	149,287
Inventories	1,089,805		1,089,805
Prepaid Expenses	132,979		132,979
Investment in Partnership		177,036	177,036
Assets Whose Use is Limited by Board for Capital Improvements	1,226,906		1,226,906
Property & Equipment - Net	10,708,046		10,708,046
Prepaid Pension Cost	1,328,972		1,328,972
Organization Cost	<u>12,856</u>	<u>12,856</u>	<u>12,856</u>
TOTAL ASSETS	<u>\$23,976,040</u>	<u>\$ 638,511</u>	<u>\$ 242,705</u>
			<u>\$24,857,256</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
COMBINED BALANCE SHEET - ALL FUND TYPES
APRIL 30, 1993

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals Memorandum</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Expendable Trust Fund</u>	<u>Only</u>
LIABILITIES				
Accounts Payable	\$ 1,385,986	\$ 70,546		\$ 1,456,532
Estimated Health Claims Incurred but not Reported		155,754		155,754
Current Installments of Debt & Capital Lease Obligations	39,469			39,469
Accrued Liabilities	1,031,881	9,111		1,040,991
Due to Other Funds	98,619	50,668		149,288
Estimated Third-Party Payor Settlements	500,575			500,575
Deferred Revenue	2,925			2,925
Long-Term Debt & Capital Lease Obligations Excluding Current Installments	<u>83,434</u>			<u>83,434</u>
TOTAL LIABILITIES	<u>3,142,889</u>	<u>286,079</u>		<u>3,428,968</u>
FUND EQUITY				
Retained Earnings				
Reserved for Capital Improvements	1,226,906			1,226,906
Reserved for Health Claims Unreserved	19,606,245	218,496 133,936		218,496 19,740,181
Fund Balances				
Reserved for Scholarships			\$ 242,705	242,705
TOTAL FUND EQUITY	<u>20,833,151</u>	<u>352,432</u>	<u>242,705</u>	<u>21,428,288</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$23,976,040</u>	<u>\$ 638,511</u>	<u>\$ 242,705</u>	<u>\$24,857,256</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, 1993 & 1992

	<u>Year Ended April 30</u>	
	<u>1 9 9 3</u>	<u>1 9 9 2</u>
<u>Revenues</u>		
Income from Investments	\$ <u>7,352</u>	\$ <u>12,502</u>
<u>Expenditures</u>		
Scholarships Paid	11,890	17,750
Investment Management Account Fees	40	988
Office Supplies	<u> </u>	<u>5</u>
Total Expenditures	<u>11,930</u>	<u>18,743</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,578)	(6,241)
FUND BALANCE, BEGINNING	<u>247,283</u>	<u>253,524</u>
FUND BALANCE, ENDING	<u>\$ 242,705</u>	<u>\$ 247,283</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, 1993

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Memorandum Only</u>
<u>OPERATING REVENUES</u>			
Net Patient Service Revenues	\$31,146,499		\$31,146,499
Other Operating Revenues	538,473		538,473
Income from Partnership		\$ 120,546	120,546
Employer Contributions		987,439	987,439
Employee Contributions		187,042	187,042
Refunds on Claims Paid		4,166	4,166
Specific Loss Reimbursement		<u>65,416</u>	<u>65,416</u>
TOTAL OPERATING REVENUES	31,684,972	1,364,609	33,049,581
OPERATING EXPENSES	<u>30,289,211</u>	<u>1,156,928</u>	<u>31,446,139</u>
OPERATING INCOME	1,395,761	207,681	1,603,442
NON-OPERATING REVENUES	<u>182,309</u>	<u>6,987</u>	<u>189,296</u>
INCOME BEFORE INCOME TAX	1,578,070	214,668	1,792,738
INCOME TAX		<u>27,410</u>	<u>27,410</u>
NET INCOME	1,578,070	187,258	1,765,328
(Increase) in Retained Earnings			
Reserved for Capital Improvements (12,356)			(12,356)
Reserved for Health Claims		<u>(126,435)</u>	<u>(126,435)</u>
NET CHANGE IN UNRESERVED RETAINED EARNINGS	1,565,714	60,823	1,626,537
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>18,040,531</u>	<u>73,113</u>	<u>18,113,644</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>19,606,245</u>	<u>133,936</u>	<u>19,740,181</u>
RETAINED EARNINGS - RESERVED BEGINNING	1,214,550	92,061	1,306,611
NET CHANGE IN RESERVED RETAINED EARNINGS	<u>12,356</u>	<u>126,435</u>	<u>138,791</u>
RETAINED EARNINGS - RESERVED, ENDING	<u>1,226,906</u>	<u>218,496</u>	<u>1,445,402</u>
TOTAL RETAINED EARNINGS	<u>\$20,833,151</u>	<u>\$ 352,432</u>	<u>\$21,185,583</u>

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, 1993

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>	<u>Totals Memorandum Only</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net Income	<u>\$1,578,070</u>	<u>\$ 187,258</u>	<u>\$1,765,328</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Amortization of Organization Cost		6,429	6,429
Depreciation	1,509,263		1,509,263
Provision for Bad Debts	2,455,750		2,455,750
Gain on Disposal of Equipment	(1,600)		(1,600)
Changes in Assets and Liabilities			
(Increase) in Patient Accounts Receivable	(3,014,239)		(3,014,239)
Decrease in Accounts Receivable Other	5,725		5,725
(Increase) in Third Party Payor Settlements	(376,112)		(376,112)
(Increase) in Accrued Interest, LGG, Inc. Note	(259)		(259)
(Increase) in Inventories	(137,119)		(137,119)
(Increase) in Due from General Operating Fund for Plan Contributions		(5,275)	(5,275)
(Increase) in Prepaid Expenses	(13,030)		(13,030)
(Increase) in Prepaid Pension Costs	(135,014)		(135,014)
Increase in Accounts Payable	566,890		566,890
Increase in Accrued Payroll & Related Liabilities	130,795		130,795
Increase in Due to Employee Group Health & Life Ins Plan #501	5,275		5,275
(Decrease) in Other Accrued Liabilities	(16,309)	(14,268)	(30,577)
Increase in Health Claims Payable		33,018	33,018
(Decrease) In Estimated Health Claims Incurred but not Reported		(31,837)	(31,837)
Total Adjustments	<u>980,016</u>	<u>(11,933)</u>	<u>968,083</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,558,086</u>	<u>175,325</u>	<u>2,733,411</u>

(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, 1993

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>	<u>Totals Memorandum Only</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Investment in Partnership		(\$ 45,546)	(\$ 45,546)
Collection on IGG, Inc. Note	\$ 7,000		7,000
NET CASH PROVIDED BY (USED) FOR INVESTING ACTIVITIES	<u>7,000</u>	<u>(45,546)</u>	<u>(38,546)</u>
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>			
Acquisition & Construction of Capital Assets	(1,768,434)		(1,768,434)
Proceeds from Sale of Equipment	1,600		1,600
(Increase) in Assets Whose Use is Limited	(290,753)		(290,753)
Principal Payments on Long-Term Debt	(98,983)		(98,983)
Payments on Capital Lease Obligations	(8,871)		(8,871)
Payment on Note Payable		(7,000)	(7,000)
NET CASH (USED) FOR CAPITAL & RELATED FINANCING ACTIVITIES	<u>(2,165,441)</u>	<u>(7,000)</u>	<u>(2,172,441)</u>
NET INCREASE IN CASH & CASH EQUIVALENTS	399,645	122,779	522,424
CASH & CASH EQUIVALENTS-MAY 1, 1992	<u>504,808</u>	<u>227,221</u>	<u>732,029</u>
CASH & CASH EQUIVALENTS-APRIL 30, 1993	<u>\$ 904,453</u>	<u>\$ 350,000</u>	<u>\$1,254,453</u>
<u>Supplemental Disclosures of Cash Flow Information</u>			
Cash Paid During the Year For:			
Income Taxes		\$ 41,938	\$ 41,938
Interest	\$ 9,053	4,175	13,228
<u>Supplemental Disclosure of Non Cash Investing and Financing Activity</u>			
Purchase of Equipment with Capital Lease Obligations	\$ 72,040		\$ 72,040

(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, 1993 & 1992

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. and LGG, Inc. The financial statements of LGG, 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.

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. 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.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1993 & 1992

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

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 Funds - These funds are 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 general operating fund 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.

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.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1993 & 1992

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

F. Investments and Investment Income

Investment securities are stated at cost which approximates market value.

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 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

The Hospital 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.

Income taxes are provided for the tax effects of transactions reported in the financial statement of LGG, Inc. and consist of taxes currently due.

LINCOLN GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

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

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.

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.

LINCOLN GENERAL HOSPITAL,
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

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:

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.

The Hospital's Medicare and Medicaid Cost Reports have been audited by the Medicare fiscal intermediary through April 30, 1991. A desk review was done for the year ended April 30, 1992.

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 \$830,043 and \$505,046 for 1993 and 1992, respectively. These amounts were deducted in arriving at Net Patient Service Revenue.

LINCOLN GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1993 & 1992

3. INVESTMENT SECURITIES

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 summarized as follows:

	April 30	
	1993	1992
<u>General Operating Fund</u>		
<u>Current Assets</u>		
Investment Management Accounts	\$ 558,117	\$ 745,047
<u>Limited for Capital Improvements</u>		
Investment Management Accounts	1,864,029	1,379,276
<u>Employee Group Health & Life Insurance Plan #501</u>		
Investment Management Account	265,062	
<u>Mary B. Jarrell Scholarship Fund</u>		
Investment Management Account	<u>236,117</u>	<u>243,804</u>
TOTALS	<u>\$2,923,325</u>	<u>\$2,368,127</u>

The investment 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	<u>\$ 2,923,325</u>	<u>\$ 2,923,325</u>	<u>\$ 2,923,325</u>

4. OTHER ACCOUNTS RECEIVABLE

Other accounts receivable at April 30, 1993 and 1992, are summarized as follows:

	April 30	
	1993	1992
Employee Travel Advances	\$ 200	\$ 1,100
Returned Checks	1,370	1,059
Refund Receivable	<u>5,150</u>	<u>10,286</u>
TOTAL	<u>\$ 6,720</u>	<u>\$ 12,445</u>

LINCOLN GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

4. OTHER ACCOUNTS RECEIVABLE (CONT'D)

As of April 30, 1993, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Operating Fund	\$ 50,668	\$ 98,619
LGG, Inc.		50,668
Employee Group Health & Life Insurance Plan #501	<u>98,619</u>	
Totals	<u>\$ 149,287</u>	<u>\$ 149,287</u>

5. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

Estimated Third-Party Payor Settlements at April 30, 1993, are summarized below.

	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
<u>Receivables</u>			
Year Ended 4-30-92		\$125,952	\$125,952
Year Ended 4-30-93	<u>\$701,883</u>	<u>146,428</u>	<u>848,311</u>
Total	<u>701,883</u>	<u>272,380</u>	<u>974,263</u>
<u>Payables</u>			
Year Ended 4-30-92	252,622		252,622
Year Ended 4-30-93	<u>247,953</u>		<u>247,953</u>
Total	<u>500,575</u>		<u>500,575</u>
Net	<u>\$201,308</u>	<u>\$272,380</u>	<u>\$473,688</u>

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, 1993 & 1992, is set forth below. Investments are stated at cost which approximates market.

	<u>April 30</u>	
	<u>1993</u>	<u>1992</u>
By board for capital improvements		
Certificates of Deposit		\$ 194,000
Investment Securities	<u>\$ 1,864,029</u>	<u>1,379,276</u>
TOTAL	<u>\$ 1,864,029</u>	<u>\$ 1,573,276</u>

LINCOLN GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

7. PROPERTY & EQUIPMENT

A summary of property and equipment at April 30, 1993 & 1992 follows:

	April 30	
	1993	1992
<u>Used in Operations</u>		
Land ¹	\$ 136,944	\$ 136,944
Land Improvements	151,463	151,463
Building Improvements	5,590,128	4,905,237
Equipment	9,493,600	8,575,814
Equipment Under Capital Leases	109,761	37,721
Computer Software	601,225	503,757
Total	16,083,121	14,310,936
Less Accumulated Depreciation	(6,506,300)	(5,290,000)
Net	9,576,821	9,020,936
Construction in Progress	214,498	42,892
Total Used in Operations	9,791,319	9,063,828
<u>Not Used in Operations</u>		
Green Clinic Building & Lot ²	1,382,000	1,382,000
Less Accumulated Depreciation	(465,273)	(409,993)
Net	916,727	972,007
Property & Equipment - Net	10,708,046	10,035,835

Additions to property and equipment totaled \$2,010,688 for the current year and \$1,201,552 for the prior year. Depreciation expense for years ended April 30, 1993 & 1992 was \$1,509,263 and \$1,357,984, respectively.

The Hospital has entered into agreements for the purchase of equipment and construction. Outstanding commitments as of April 30, 1993 and 1992, were approximately:

	April 30	
	1993	1992
Equipment	\$ 76,500	\$ 149,467
Construction	39,550	522,191
Total	\$ 116,050	\$ 671,658

¹ Includes donated value of \$24,950

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

LINCOLN GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1993 & 1992

8. LONG-TERM DEBT & CAPITAL LEASES

A summary of long-term debt and capital leases at April 30, 1993 & 1992 follows:

	April 30	
	1993	1992
<u>Long-Term Debt</u>		
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 May, 1995, collateralized by Surgical Equipment, with a net book value of \$37,104 at April 30, 1993.	\$ 29,134	\$ 37,655
Note Payable to Central Bank, payable in monthly installments of \$19,989.46, including interest at 10.00%, final payment due October 1, 1992, collateralized by Cardiology Equipment with a net book value of \$426,805 at April 30, 1992.	- 0 -	90,462
Total Long-Term Debt	29,134	128,117
Less Current Installments of Long-Term Debt	17,567	108,475
Long-Term Debt Excluding Current Installments	\$ 11,567	\$ 19,642
<u>Capital Leases</u>		
Capital Lease Obligations at 8.0% imputed interest rate collateralized by leased equipment with an amortized cost of \$95,280 & \$32,281 at April 30, 1993 & 1992, respectively.	\$ 93,769	\$ 30,600

LINCOLN GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

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

	April 30	
	1993	1992
Less current installments of Capital Lease Obligations	21,902	7,891
Capital Lease Obligations excluding current installments	\$ 71,867	\$ 22,709

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
1994	\$ 17,567	\$ 29,042
1995	11,567	27,582
1996	- 0 -	22,581
1997	- 0 -	17,529
1998	- 0 -	14,607
Total	\$ 29,134	111,341
Less Amount Representing Interest Obligations Under Capital Leases		17,572
Total		\$ 93,769

Interest costs included in General Operating Fund expenses for 1993 and 1992 were \$9,053 and \$77,034, respectively.

On September 21, 1992, the Hospital was granted a revolving line of credit not to exceed \$1,000,000 at a fixed rate of 8.00%, payable on demand, due April 30, 1993, by Community Trust Bank. Community Trust Bank was granted a continuing security interest in the Hospital's accounts receivable, to secure any and all present and future indebtedness. This line of credit was not renewed.

LINCOLN GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

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

On September 22, 1992, the Hospital was also granted a revolving line of credit not to exceed \$1,000,000 at a variable interest rate equal to New York Prime, due and renewable August 31, 1993, by Central Bank. Central Bank was granted a continuing security interest in all deposit accounts and certificates of deposit now owned or acquired by the Hospital to secure any and all present and future obligations. This line of credit has not been renewed.

As of April 30, 1993, no advances had been made to the Hospital by either of these banks.

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, 1993 & 1992, includes the following components:

	<u>Year Ended April 30</u>	
	<u>1 9 9 3</u>	<u>1 9 9 2</u>
Service Cost Benefits Earned During the Year	\$ 210,697	\$ 219,065
Interest Cost on Projected Benefit Obligation	560,311	547,885
Actual Return on Plan Assets	(594,835)	(624,254)
Net Amortization and Deferral	<u>(1,072)</u>	<u>87,262</u>
Net Periodic Pension costs	<u>\$ 175,102</u>	<u>\$ 229,958</u>

LINCOLN GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1993 & 1992

9. PENSION PLAN (CONT'D)

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%

The following table sets forth the plan's funded status of amounts recognized in the Hospital's financial statements at April 30, 1993 & 1992.

	<u>April 30</u>	
	<u>1993</u>	<u>1992</u>
Actuarial Present Value of Benefit Obligations:		
Vested Benefit Obligations	\$ 6,445,394	\$ 5,490,712
Nonvested Benefit Obligation	<u>52,332</u>	<u>36,163</u>
Accumulated Benefit Obligation	6,497,726	5,526,875
Effect of Projected Future Compensation Levels	<u>2,171,769</u>	<u>1,631,809</u>
Estimated Projected Benefit Obligation	8,669,495	7,158,684
Plan Assets at Fair Value	<u>8,476,303</u>	<u>7,851,860</u>
Funded Status--Plan Assets in Excess (Deficiency) of Projected Benefit Obligation	(193,192)	693,176
Unrecognized Net Gain from Past Experience Different from that Assumed	(349,640)	(421,288)
Prior Service Cost Not Yet Recognized in Net Periodic Costs	896,042	1,005,055
Unrecognized Net (Gain) or Loss Occurring During the Year	<u>975,762</u>	<u>(82,985)</u>
Prepaid Pension Costs	<u>\$ 1,328,972</u>	<u>\$ 1,193,958</u>

LINCOLN GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

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.

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, 1993 and 1992, was \$593,024 and \$506,040, 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.

LINCOLN GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1993 & 1992

11. LEASE COMMITMENTS

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

The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 1993, that have initial or remaining lease terms in excess of one year.

<u>Year Ending</u> <u>April 30</u>	<u>Minimum Lease</u> <u>Payments</u>
1994	\$ 172,080
1995	172,080
1996	160,120
1997	126,750
1998-2001	480,000
2002	<u>160,000</u>
Total minimum lease payments	<u>\$ 1,271,030</u>

Total rental expense for all operating leases for the years ended April 30, 1993 and 1992, was approximately \$265,232 and \$336,916, respectively.

12. RELATED PARTY TRANSACTIONS

At April 30, 1993 and 1992, the Due to General Operating Fund from LGG, Inc., included promissory notes in the amount of \$50,000 and \$57,000, respectively, payable on demand with interest at 8% per annum. Accrued interest receivable at April 30, 1993 and 1992, on the above notes was \$668 and \$409, respectively. Interest paid by LGG, Inc. to Lincoln General Hospital, Inc. for years ended April 30, 1993 and 1992 was \$4,434 and \$6,730, respectively.

The Hospital expensed Physical Therapy fees to Ruston Outpatient Physical Therapy Services in the amount of \$132,952 and \$102,022 for the years ended April 30, 1993 and 1992. Included in accounts payable at April 30, 1993 and 1992, is \$13,444 and \$8,416, respectively, of the above expenses.

LGG, Inc. expensed management fees to the Hospital in the amount of \$15,000 and \$7,500 for the years ended April 30, 1993 and 1992, respectively. Management fees in subsequent years of 10% of LGG's distribution received from Ruston Outpatient Physical Therapy Services was approved.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

13. UNITED STATES DEPARTMENT OF LABOR ADVISEMENT

On January 9, 1992, the Hospital was advised by the United States Department of Labor, Wage and Hourly Division of a potential assessment by the Department of Labor of wages due to employees because of inappropriate calculation of the method of payment of overtime and shift differential. The potential liability is uncertain at the present time.

14. 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.

15. ACCOUNTING CHANGES

For the year ended April 30, 1992, the Hospital began accounting for the Employee Group Health and Life Insurance Plan #501 as a separate fund. The effect of this change on the General Operating Fund Retained Earnings and Employee Group Health and Life Insurance Plan #501 Retained Earnings is a decrease and increase of \$105,758, respectively.

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 and life 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 Insurance is fully insured. Life 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, 1993 & 1992

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. An increase of 5.0% in monthly deposit rates has been approved by the Hospital for 1993.

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, 1993 and 1992, are estimated by the Plans Supervisor, Employee Benefit Services, Inc.

E. Plan Amendments

Effective January 1, 1991, the individual deductible increased from \$200 to \$300; co-payment limit changed from 80/20 to 70/30; co-payment was reduced from 100% to 70/30 on certain items; co-payment limits were increased to \$1,500 and \$3,000 for individual and family out-of-pocket eligible medical expenses, respectively; certain benefits became subject to the deductible; and certain benefit percentages were reduced.

Effective January 1, 1992, limitations and exclusions applicable to medical expenses were amended concerning treatments, procedures, drugs or medicines which the plan determines are educational, experimental, investigational, or done primarily for research; and concerning treatments, procedures, drugs, medicines or other expenses relating to transplants of non-human organs.

Effective April 1, 1992, limitations and exclusions applicable to medical expenses were amended concerning weight loss programs or treatment of obesity.

Effective January 1, 1993, limitations and exclusions applicable to medical expenses were amended concerning weight loss surgery, treatment or morbid obesity, and Home Health Care.

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

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

Effective February 1, 1993, the schedule of benefits subject to the deductible was amended by adding 100% benefit percentage for generic prescription drugs; and a lifetime maximum limit benefit of \$75,000 for medical expenses for treatment of Acquired Immune Deficiency Syndrome (AIDS) and AIDS related diseases was added.

Effective February 22, 1993, limitations and exclusions applicable to medical benefits for treatments, procedures, devices, drugs, or medicines which the Plan determines are experimental or investigational were amended.

Effective July 1, 1993 the definition of employee was amended.

F. Excess Risk and Life Insurance Contracts

Lincoln General Hospital, Inc. has contracted with Alliance Life Insurance of North America (formerly North American Life and Casualty Company) for aggregate and specific excess risk insurance and life 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.

17. FUND EQUITY

Reservations of Retained earnings and fund balances are created to indicate that a portion or all the 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.

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1993 & 1992

18. BOARD MEMBER COMPENSATION

<u>Board Member</u>	<u>Compensation</u>
Mr. Joe Thomas	None
Mr. Benny Denny	None
Mr. Glen Grisby	None
Mr. H.F. Delony, ex-officio	None
Mr. Don Faust	None
Dr. Marvin Green, Jr.	None
Dr. Randy McWorter	None
Dr. Larry Neal, ex-officio	None
Mrs. Dawn Pinkson	None
Mr. Al Trammell	None
Mr. Wilbert Ellis	None
Mr. Jack Beard	None
Mr. Reagan Sutton	None

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 \$31,146,499 for the year ended April 30, 1993.

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, 1993, the Hospital's uninsured cash balances total \$293,037.

20. SEGMENT INFORMATION - ENTERPRISE FUND

The Hospital maintains a general operating fund which is intended to be self-supporting through user charges for goods and services provided to the general public for Hospital care. Financial segment information not presented in the financial statements is presented below.

	<u>General Operating Fund</u>
Depreciation Expense	\$ 1,509,263
Property & Equipment	
Additions	2,010,688
Dispositions	238,504
Net Working Capital	7,652,661

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1993 & 1992

21. SUBSEQUENT EVENTS

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.

The Lincoln Parish Police Jury leases the Hospital to Lincoln Public Benefit Corporation 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.
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 above. Annual rental payments required under this provision for the first five year period will be approximately as follows:

<u>Period</u>	<u>Annual Rent</u>
9-1-93 to 6-30-94	\$1,007,407
7-1-94 to 6-30-95	1,022,226
7-1-95 to 6-30-96	988,420
7-1-96 to 6-30-97	954,613
7-1-97 to 6-30-98	<u>920,806</u>
	<u>\$4,893,472</u>

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1993 & 1992

21. SUBSEQUENT EVENTS (CONT'D)

Rental Commitments (cont'd)

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.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

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.

GENERAL OPERATING FUND

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

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
GENERAL OPERATING FUND
COMPARATIVE BALANCE SHEETS
APRIL 30, 1993 & 1992

	<u>April 30</u>	
	<u>1993</u>	<u>1992</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 346,336	\$ 19,254
Investment Securities	558,117	745,047
Total Cash & Cash Equivalents	904,453	764,301
Assets Whose Use is Limited and are Required for Current Liabilities	637,123	358,725
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1993 - \$2,476,000 & 1992 - \$2,043,000		
Allowance for Medicare & Medicaid Adjustments 1993 - \$2,458,000 & 1992 - \$2,117,000	6,916,105	6,698,616
Other Accounts Receivable	6,720	12,445
Due from IGG, Inc.	50,668	57,409
Estimated Third-Party Payor Settlements	974,263	225,759
Inventories @ Cost (FIFO)	1,089,805	952,686
Prepaid Expenses	132,979	119,949
Total Current Assets	<u>10,712,116</u>	<u>9,189,890</u>
ASSETS WHOSE USE IS LIMITED		
By Board for Capital Improvements		
Certificates of Deposit		194,000
Investment Securities	1,864,029	1,379,276
Total Assets Whose Use is Limited	1,864,029	1,573,276
Less Assets Whose Use is Limited and That are Required for Current Liabilities	(637,123)	(358,725)
Noncurrent Assets Whose Use is Limited	1,226,906	1,214,551
PROPERTY & EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (1993 - \$6,971,573; 1992 - \$5,699,993)	10,708,046	10,035,835
OTHER ASSETS - PREPAID PENSION COSTS	1,328,972	1,193,958
TOTAL ASSETS	<u>\$23,976,040</u>	<u>\$21,634,234</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
GENERAL OPERATING FUND
COMPARATIVE BALANCE SHEETS
APRIL 30, 1993 & 1992

	<u>April 30</u>	
	<u>1 9 9 3</u>	<u>1 9 9 2</u>
LIABILITIES & FUND EQUITY		
CURRENT LIABILITIES		
Bank Overdraft		\$ 259,493
Accounts Payable	\$ 1,385,986	819,096
Current Installments of Long-Term Debt	17,567	108,475
Current Installments of Capital Lease Obligations	21,902	7,891
Accrued Payroll & Related Liabilities	994,452	863,657
Due to Employee Group Health & Life Insurance Plan #501	98,619	93,344
Other Accrued Liabilities	37,429	52,816
Estimated Third-Party Payor Settlements	500,575	128,183
Deferred Revenue	<u>2,925</u>	<u>3,847</u>
Total Current Liabilities	3,059,455	2,336,802
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS	11,567	19,642
CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS	<u>71,867</u>	<u>22,709</u>
Total Liabilities	<u>3,142,889</u>	<u>2,379,153</u>
RETAINED EARNINGS		
Reserved for Capital Improvements	1,226,906	1,214,550
Unreserved	<u>19,606,245</u>	<u>18,040,531</u>
Total Retained Earnings	20,833,151	19,255,081
Commitments & Contingent Liabilities (Notes 2, 7, 8, 9, 10, 11, 13, 14, 19 & 21)	_____	_____
TOTAL LIABILITIES & FUND EQUITY	<u>\$23,976,040</u>	<u>\$21,634,234</u>

(Concluded)

The accompanying notes are an integral part of this statement.

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LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
GENERAL OPERATING FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES & CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1993 & 1992

	<u>Year Ended April 30</u>	
	<u>1993</u>	<u>1992</u>
<u>OPERATING REVENUES</u>		
Net Patient Service Revenues	\$ 31,146,499	\$ 26,597,460
Other Operating Revenues	538,473	611,328
Total Operating Revenues	<u>31,684,972</u>	<u>27,208,788</u>
<u>OPERATING EXPENSES</u>		
Salaries	12,849,368	11,684,639
Employee Benefits	2,183,038	1,942,606
Supplies	5,939,993	5,563,227
Departmental Expense	1,262,481	1,110,322
Professional Fees	1,706,729	1,130,018
Dues and Subscriptions	59,223	53,341
Travel & Education	65,039	68,039
Depreciation	1,453,983	1,302,704
Leases & Rentals	265,232	338,666
Service Contracts	413,409	331,447
Building & Equipment Repairs	167,810	160,682
Utilities & Telephone	557,358	566,355
Legal, Audit, & Consulting	170,538	107,665
Collection Fees	130,305	113,590
Advertising	56,189	68,165
Insurance, Taxes, & Licenses	299,556	290,214
Interest Expense	9,053	77,034
Bad Debts Expense	2,455,750	1,914,054
Personnel & Recruitment Expense	44,596	45,108
Net Periodic Pension Costs	175,102	229,958
Auxillary & Other Volunteer Expense	2,321	2,341
Medical Staff & Governing Board Expense	<u>22,138</u>	<u>14,994</u>
Total Operating Expenses	<u>30,289,211</u>	<u>27,115,169</u>
Income from Operations	1,395,761	93,619
Nonoperating Revenues	<u>182,309</u>	<u>555,374</u>
NET INCOME	1,578,070	648,993
Transfer to Employee Group Health and Life Insurance Plan #501 Fund		(105,757)
(Increase) Decrease in Retained Earnings Reserved for Capital Improvements	(<u>12,356</u>)	<u>820,270</u>
Net Change in Unreserved Retained Earnings for the Year	1,565,714	1,363,506
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>18,040,531</u>	<u>16,677,025</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>\$ 19,606,245</u>	<u>\$ 18,040,531</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
GENERAL OPERATING FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1993 & 1992

	<u>Year Ended April 30</u>	
	<u>1993</u>	<u>1992</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income	\$ <u>1,578,070</u>	\$ <u>648,993</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	1,509,263	1,357,984
Provision for Bad Debts	2,455,750	1,914,054
Gain on Disposal of Equipment	(1,600)	
Changes in Assets & Liabilities		
(Increase) in Patient Accounts Receivable	(3,014,239)	(2,410,520)
Decrease in Accounts Receivable Other	5,725	113,801
(Increase) Decrease in Third Party Payor Settlements	(376,112)	161,721
(Increase) in Accrued Interest LGG, Inc. Note	(259)	
(Increase) in Inventories	(137,119)	(81,233)
(Increase) in Prepaid Expenses	(13,030)	(278)
(Increase) in Prepaid Pension Costs	(135,014)	(76,181)
Increase in Accounts Payable	566,890	110,686
Increase in Accrued Payroll & Related Liabilities	130,795	319,685
Increase in Due to Employee Group Health & Life Insurance Plan #501	5,275	
(Decrease) in Other Accrued Liabilities	(<u>16,309</u>)	(<u>4,220</u>)
Total Adjustments	<u>980,016</u>	<u>1,405,499</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,558,086</u>	<u>2,054,492</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Collection on LGG, Inc. Note	<u>7,000</u>	<u>7,709</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>7,000</u>	<u>7,709</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
GENERAL OPERATING FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1993 & 1992

	<u>Year Ended April 30</u>	
	<u>1993</u>	<u>1992</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Transfer to Employee Group Health and Life Insurance Plan #501 Fund		(\$ 105,757)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Acquisition and Construction of Capital Assets	(\$ 1,768,434)	(1,208,430)
Proceeds from Sale of Equipment	1,600	1,708
(Increase) Decrease in Assets Whose Use is Limited	(290,753)	1,203,620
Principal Payments on Long-Term Debt	(98,983)	(1,864,743)
Payments on Capital Lease Obligations	(8,871)	(7,121)
NET CASH (USED) FOR CAPITAL & RELATED FINANCING ACTIVITIES	(2,165,441)	(1,874,966)
NET INCREASE IN CASH & CASH EQUIVALENTS	399,645	81,478
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>504,808</u>	<u>423,330</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 904,453</u>	<u>\$ 504,808</u>

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year For

Interest	\$ 9,053	\$ 77,034
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Supplemental Disclosure of Non Cash Investing and Financing Activity

Purchase of Equipment with Capital Lease Obligations	\$ 72,040	\$ 37,721
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(Concluded)

The accompanying notes are an integral part of this statement.

INTERNAL 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.

A legally separate entity who has entered into a partnership, Ruston Outpatient Physical Therapy Services, which provides physical therapy services to Lincoln General Hospital, Inc.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
COMBINING BALANCE SHEET
APRIL 30, 1993
WITH COMPARATIVE TOTALS FOR APRIL 30, 1992

	IGG, Inc.	Employee Group Health & Life Ins Plan #501	TOTALS April 30	
			1993	1992
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 3,823	\$ 81,115	\$ 84,938	\$227,221
Investment Management Account		265,062	265,062	
Due from Other Funds		98,619	98,619	93,344
Total Current Assets	3,823	444,796	448,619	320,565
<u>INVESTMENTS</u>				
Investment in Partnership	177,036		177,036	131,330
<u>OTHER ASSETS</u>				
Organization Cost - Net	12,856		12,856	19,285
TOTAL ASSETS	\$193,715	\$444,796	\$638,511	\$471,180
<u>LIABILITIES & FUND EQUITY</u>				
<u>CURRENT LIABILITIES</u>				
Accrued Liabilities	\$ 9,111		\$ 9,110	\$ 23,638
Due to Other Funds	50,668		50,669	57,409
Health Claims Payable		\$ 70,546	70,546	37,528
Estimated Health Claims Incurred but not Reported		155,754	155,754	187,591
TOTAL LIABILITIES	59,779	226,300	286,079	306,166
<u>FUND EQUITY</u>				
Retained Earnings				
Reserved for Health Claims		218,496	218,496	92,061
Unreserved	133,936		133,936	72,953
TOTAL LIABILITIES & FUND EQUITY	\$193,715	\$444,796	\$638,511	\$471,180

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, 1993

	<u>LGG, Inc.</u>	<u>Employee Group Health & Life Ins Plan #501</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>			
Income from Partnership	\$ 120,546		\$ 120,546
Employer Contributions		\$ 987,439	987,439
Employee Contributions		187,042	187,042
Refunds on Claims Paid		4,166	4,166
Specific Loss Reimbursement		65,416	65,416
TOTAL OPERATING REVENUES	120,546	1,244,063	1,364,609
OPERATING EXPENSES	<u>32,313</u>	<u>1,124,615</u>	<u>1,156,928</u>
OPERATING INCOME	88,233	119,448	207,681
<u>NON-OPERATING REVENUES</u>			
Interest Income		<u>6,987</u>	<u>6,987</u>
INCOME BEFORE INCOME TAX	88,233	126,435	214,668
INCOME TAX	<u>27,410</u>		<u>27,410</u>
NET INCOME	60,823	126,435	187,258
(Increase) in Retained Earnings Reserved for Health Claims		<u>(126,435)</u>	<u>(126,435)</u>
NET CHANGE IN UNRESERVED RETAINED EARNINGS	60,823		60,823
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>73,113</u>		<u>73,113</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>133,936</u>		<u>133,936</u>
RETAINED EARNINGS - RESERVED, BEGINNING		92,061	92,061
NET CHANGE IN RESERVED RETAINED EARNINGS		<u>126,435</u>	<u>126,435</u>
RETAINED EARNINGS - RESERVED, ENDING		<u>218,496</u>	<u>218,496</u>
TOTAL RETAINED EARNINGS	<u>\$ 133,936</u>	<u>\$ 218,496</u>	<u>\$ 352,432</u>

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, 1993

	<u>LGG, Inc.</u>	<u>Employee Group Health & Life Ins Plan #501</u>	<u>TOTALS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net Income	\$ 60,823	\$ 126,435	\$ 187,258
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Amortization of Organization Cost	6,429		6,429
Changes in Assets & Liabilities			
(Increase) in Due from General Operating Fund for Plan Contributions		(5,275)	(5,275)
(Decrease) in Accrued Liabilities	(14,268)		(14,268)
Increase in Health Claims Payable		33,018	33,018
(Decrease) in Estimated Health Claims Incurred but not Reported		(31,837)	(31,837)
Total Adjustments	(7,839)	(4,094)	(11,933)
NET CASH PROVIDED BY OPERATING ACTIVITIES	52,984	122,341	175,325
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Investment in Partnership	(45,546)		(45,546)
NET CASH (USED) FOR INVESTING ACTIVITIES	(45,546)		(45,546)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>			
Payment on Note Payable	(7,000)		(7,000)
NET INCREASE IN CASH/EQUIVALENTS	438	122,341	122,779
CASH & CASH EQUIVALENTS 5-1-92	3,385	223,836	227,221
CASH & CASH EQUIVALENTS 4-30-93	\$ 3,823	\$ 346,177	\$ 350,000
<u>Supplemental Disclosures of Cash Flow Information</u>			
Cash paid during the year for Income Taxes	\$ 41,938		\$ 41,938
Cash paid during the year for Interest	\$ 4,175		\$ 4,175

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
COMPARATIVE BALANCE SHEETS
APRIL 30, 1993 & 1992

	<u>April 30</u>	
	<u>1993</u>	<u>1992</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 3,823	\$ 3,385
<u>INVESTMENTS</u>		
Investment in Partnership	177,036	131,490
<u>OTHER ASSETS</u>		
Organizational Costs - Net	<u>12,856</u>	<u>19,285</u>
TOTAL ASSETS	<u>\$ 193,715</u>	<u>\$ 154,160</u>
 <u>LIABILITIES & FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accrued Liabilities	\$ 9,111	\$ 23,638
Due to General Operating Fund	<u>50,668</u>	<u>57,409</u>
Total Liabilities	59,779	81,047
<u>FUND EQUITY</u>		
Retained Earnings - Unreserved	<u>133,936</u>	<u>73,113</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 193,715</u>	<u>\$ 154,160</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN RETAINED EARNINGS
YEAR ENDED APRIL 30, 1993

REVENUES

Income from Partnership \$ 120,546

OPERATING EXPENSES

Amortization of Organization Cost	\$ 6,429	
Interest	4,434	
Legal Fees	12,373	
Management Fees	7,500	
Miscellaneous	14	
Penalties	1,378	
Taxes	185	
		<u>32,313</u>
Total Operating Expense		<u>32,313</u>

INCOME BEFORE INCOME TAX 88,233

INCOME TAX

Federal Income Tax	23,155	
Louisiana Income Tax	4,255	
		<u>27,410</u>
Total Income Tax		<u>27,410</u>

NET INCOME 60,823

RETAINED EARNINGS - UNRESERVED - MAY 1, 1992 73,113

RETAINED EARNINGS - UNRESERVED - APRIL 30, 1993 \$ 133,936

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1993

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income		\$ 60,823
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization of Organization Costs	6,429	
Changes in Assets & Liabilities		
(Decrease) in Accrued Liabilities	(14,268)	
Total Adjustments		(7,839)
NET CASH PROVIDED BY OPERATING ACTIVITIES		52,984

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in Partnership		(45,546)
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CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Payment on Note Payable		(7,000)
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NET INCREASE IN CASH & CASH EQUIVALENTS		438
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CASH & CASH EQUIVALENTS - MAY 1, 1992		<u>3,385</u>
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CASH & CASH EQUIVALENTS - APRIL 30, 1993		<u>\$ 3,823</u>
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Supplemental Disclosures of Cash Flow Information

Cash paid during the year for Income Taxes	\$ 41,938
Cash paid during the year for Interest	\$ 4,175

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, 1993 & 1992

	<u>April 30</u>	
	<u>1993</u>	<u>1992</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 81,115	\$ 223,836
Investment Management Account	265,062	
Due From General Operating Fund	<u>98,619</u>	<u>93,344</u>
TOTAL ASSETS	<u>\$ 444,796</u>	<u>\$ 317,180</u>
 <u>LIABILITIES & FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Health Claims Payable	\$ 70,546	\$ 37,528
Estimated Health Claims Incurred But Not Reported	<u>155,754</u>	<u>187,591</u>
TOTAL LIABILITIES	<u>226,300</u>	<u>225,119</u>
 <u>FUND EQUITY</u>		
Retained Earnings Reserved for Health Claims	<u>218,496</u>	<u>92,061</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 444,796</u>	<u>\$ 317,180</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, 1993 & 1992

	<u>Year Ended April 30</u>	
	<u>1993</u>	<u>1992</u>
<u>OPERATING REVENUES</u>		
Employer Contributions	\$ 987,439	\$ 866,296
Employee Contributions	187,042	159,186
Refunds on Claims Paid	4,166	63,446
Specific Loss Reimbursement	<u>65,416</u>	<u>23,142</u>
Total Operating Revenues	<u>\$ 1,244,063</u>	<u>\$ 1,112,070</u>
<u>OPERATING EXPENSES</u>		
<u>Payments for</u>		
Health Claims	\$ 993,562	\$ 793,548
Life Insurance Premiums	24,186	21,274
Excess Risk Insurance Premiums	62,447	49,193
<u>Additions to Liabilities For</u>		
Health Claims	1,181	225,119
<u>Administrative Expenses</u>		
Administrative Fees	37,081	34,552
Prerecertification Fees	6,003	5,763
Other Administrative Expenses	<u>155</u>	<u>131</u>
Total Operating Expenses	<u>1,124,615</u>	<u>1,129,580</u>
OPERATING INCOME (LOSS)	119,448	(17,510)
<u>NONOPERATING REVENUES</u>		
Interest Income	<u>6,987</u>	<u>3,813</u>
NET INCOME (LOSS)	126,435	(13,697)
Transfer From General Operating Fund		105,758
RETAINED EARNINGS - RESERVED, BEGINNING	<u>92,061</u>	<u> </u>
RETAINED EARNINGS - RESERVED, ENDING	<u>\$ 218,496</u>	<u>\$ 92,061</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
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1993

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income		\$ 126,435
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Changes in Assets & Liabilities		
(Increase) in Due from General Operating Fund for Plan Contributions	(5,275)	
Increase in Health Claims Payable	33,018	
(Decrease) in Estimated Health Claims Incurred but not Reported	(<u>31,837</u>)	
Total Adjustments		(<u>4,094</u>)
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>122,341</u>
NET INCREASE IN CASH & CASH EQUIVALENTS		122,341
CASH & CASH EQUIVALENTS - MAY 1, 1992		<u>223,836</u>
CASH & CASH EQUIVALENTS - APRIL 30, 1993		<u>\$ 346,177</u>

The accompanying notes are an integral part of this statement.

EXPENDABLE 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, 1993 & 1992

	<u>April 30</u>	
	<u>1993</u>	<u>1992</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 6,588	\$ 3,479
Investment Securities	<u>236,117</u>	<u>243,804</u>
TOTAL ASSETS	<u>\$ 242,705</u>	<u>\$ 247,283</u>
 <u>FUND BALANCE</u>		
Reserved for Scholarships	<u>\$ 242,705</u>	<u>\$ 247,283</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, 1993, and have issued my report thereon dated October 15, 1993.

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.

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, 1993, I considered its internal control structure 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 assurance on the internal control structure.

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

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories.

Accounting Controls

1. Cash
2. Investments
3. Prepaid Expenses
4. Revenue and Receivables
5. Expenses and Accounts Payable
6. Inventories
7. Property, Equipment
8. Debt and Other Liabilities
9. Payroll and Related Liabilities

For all of the control categories listed above, 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.

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 October 15, 1993.

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
October 15, 1993

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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225 6621INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS
AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDSTo 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, 1993, and have issued my report thereon dated October 15, 1993.

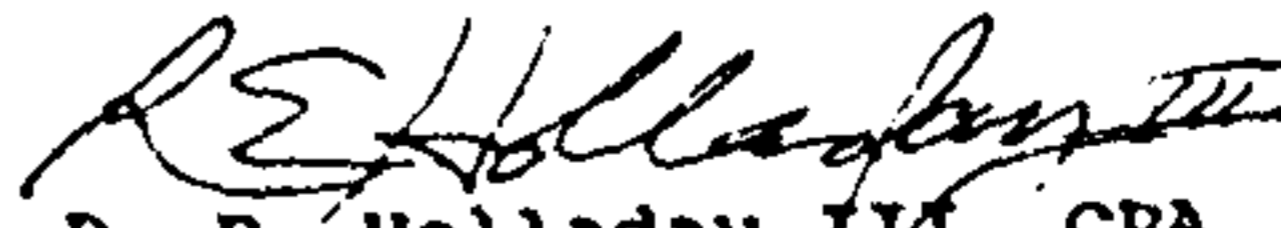
I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 my tests indicate that, with respect to the items tested, the Hospital complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the Hospital had not complied, in all material respects, with those provisions.

I noted certain immaterial instances of noncompliance that I have reported to the management of Lincoln General Hospital, Inc. in a separate letter dated October 15, 1993.

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
October 15, 1993