

LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1992 & 1991

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LINCOLN GENERAL HOSPITAL, INC.  
FINANCIAL REPORT  
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AMERICAN INSTITUTE OF CPAS  
SOCIETY OF LOUISIANA CPAS

CPA  
NO. 1234

Independent Auditor's Report

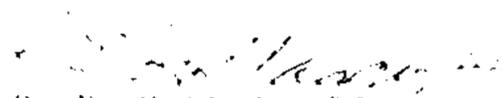
To the Board of Directors  
Lincoln General Hospital, Inc.  
P. O. Drawer 1368  
Ruston, LA 71273-1368

I have audited the accompanying General Funds and Mary B. Jarrell Scholarship Fund financial statements of Lincoln General Hospital, Inc. (a non-profit corporation) as of and for the years ended April 30, 1992 and 1991, and the Employee Group Health and Life Insurance Plan #501 Fund financial statements of the Hospital, as of and for the year ended April 30, 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 audits 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 audits provide 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. General Funds and Mary B. Jarrell Scholarship Fund as of April 30, 1992 and 1991, and the results of its operations and its cash flows of general funds for the years then ended in conformity with generally accepted accounting principles. Also, in my opinion, the Employee Group Health and Life Insurance Plan #501 Fund financial statements referred to above present fairly, in all material respects, the net assets of the fund as of April 30, 1992, and the changes in net assets for the year then ended.

As described in note 14, the Hospital changed its method of accounting for the Employee Group Health and Life Insurance Plan #501 Fund.

  
R. E. Holladay III, CPA

August 11, 1992

LINCOLN GENERAL HOSPITAL, INC.  
 GENERAL FUNDS  
 BALANCE SHEETS  
 APRIL 30, 1992 & 1991

	April 30	
	1 9 9 2	1 9 9 1
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 19,254	\$ 197,112
Investment Securities (Note 3)	745,047	226,218
Total Cash & Cash Equivalents	764,301	423,330
Assets Whose Use is Limited and are Required for Current Liabilities (Note 5)	358,725	742,076
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1992 - \$2,408,700 & 1991 - \$1,448,256 Allowance for Medicare & Medicaid Adjustments (Note 2) 1992 - \$1,751,300 & 1991 - \$895,786	6,698,616	6,202,150
Estimated Third-Party Payor Settlements	225,759	339,623
Other Accounts Receivable (Note 4)	69,854	191,364
Inventories @ Cost (FIFO) (Note 1)	952,686	871,453
Prepaid Expenses	119,949	119,671
Total Current Assets	9,189,890	8,889,667
<u>ASSETS WHOSE USE IS LIMITED (NOTE 5)</u>		
<u>By Board for Capital Improvements</u>		
Certificates of Deposit	194,000	888,000
Investment Securities (Note 3)	1,379,276	1,884,330
Accrued Interest Receivable		4,566
Total Assets Whose Use is Limited	1,573,276	2,776,896
Less Assets Whose Use is Limited and That are Required for Current Liabilities	( 358,725)	( 742,076)
Noncurrent Assets Whose Use is Limited	1,214,551	2,034,820
PROPERTY & EQUIPMENT, NET (NOTE 6)	10,035,835	10,149,376
OTHER ASSETS - PREPAID PENSION COSTS (NOTE 8)	1,193,958	1,117,777
TOTAL ASSETS	\$21,614,214	\$22,191,640

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
GENERAL FUNDS  
BALANCE SHEETS  
APRIL 30, 1992 & 1991

	April 30	
	<u>1 9 9 2</u>	<u>1 9 9 1</u>
<u>LIABILITIES &amp; FUND BALANCE</u>		
<u>CURRENT LIABILITIES</u>		
Bank Overdraft	\$ 259,493	
Accounts Payable	819,096	\$ 708,410
Current Installments of Long-Term Debt (Note 7)	108,475	522,559
Current Installments of Capital Lease Obligations (Note 7)	7,891	
Accrued Payroll & Related Liabilities	957,001	637,316
Other Accrued Expense	52,816	57,958
Estimated Third-Party Payor Settlements	128,183	80,326
Deferred Revenue	<u>3,847</u>	<u>2,925</u>
Total Current Liabilities	2,336,802	2,009,494
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS	19,642	1,470,301
CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS	<u>22,709</u>	
Total Liabilities	<u>2,379,153</u>	<u>3,479,795</u>
<u>FUND BALANCE</u>		
General	18,040,531	16,677,025
Designated by Board	<u>1,214,550</u>	<u>2,034,820</u>
Total	19,255,081	18,711,845
Commitments & Contingent Liabilities (Notes 2, 6, 7, 8, 9, 10, 12, 13 & 14)		
TOTAL LIABILITIES & FUND BALANCE	<u>\$21,634,234</u>	<u>\$22,191,640</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
STATEMENTS OF REVENUES, EXPENSES  
& CHANGES IN FUND BALANCE OF GENERAL FUNDS  
FOR THE YEARS ENDED APRIL 30, 1992 & 1991

	<u>Year Ended April 30</u>	
	<u>1 9 9 2</u>	<u>1 9 9 1</u>
<u>REVENUES</u>		
Net Patient Service Revenues (Note 2)	\$ 26,597,460	\$ 24,474,282
Other Operating Revenues	<u>611,328</u>	<u>595,356</u>
Total Operating Revenues	<u>27,208,788</u>	<u>25,069,638</u>
<u>OPERATING EXPENSES</u>		
Salaries	\$ 11,684,639	\$ 10,335,463
Employee Benefits	1,942,606	1,687,468
Supplies	5,563,227	4,917,156
Departmental Expense	1,110,322	876,321
Professional Fees	1,130,018	535,681
Dues and Subscriptions	53,341	46,102
Travel & Education	68,039	44,440
Depreciation	1,302,704	1,019,755
Leases & Rentals	338,666	334,855
Service Contracts	331,447	323,668
Building & Equipment Repairs	160,682	133,622
Utilities & Telephone	566,355	583,180
Legal, Audit, & Consulting	107,665	63,466
Collection Fees	113,590	137,075
Advertising	68,165	49,708
Insurance, Taxes, & Licenses	290,214	244,826
Interest Expense	77,034	94,869
Bad Debts Expense	1,914,054	1,597,170
Personnel & Recruitment Expense	45,108	36,326
Net Periodic Pension Costs	229,958	( 51,875)
Auxillary & Other Volunteer Expense	2,341	905
Medical Staff & Governing Board Expense	<u>14,994</u>	<u>11,031</u>
Total Operating Expenses	<u>27,115,169</u>	<u>23,021,212</u>
Income from Operations	93,619	2,048,426
Nonoperating Revenues	<u>555,374</u>	<u>222,004</u>
EXCESS OF REVENUES OVER EXPENSES	648,993	2,270,430
Transfer to Employee Group Health and Life Insurance Plan #501 Fund	( 105,757)	
FUND BALANCE, BEGINNING	<u>18,711,845</u>	<u>16,441,415</u>
FUND BALANCE, ENDING	<u>\$ 19,255,081</u>	<u>\$ 18,711,845</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
STATEMENTS OF CASH FLOWS OF GENERAL FUNDS  
FOR THE YEARS ENDED APRIL 30, 1992 & 1991

	<u>Year Ended April 30</u>	
	<u>1 9 9 2</u>	<u>1 9 9 1</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Excess of Revenues Over Expenses-Exhibit B	\$ 648,993	\$2,270,430
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities		
Depreciation	1,357,984	1,075,035
Provision for Bad Debts	1,914,054	1,597,170
Gain on Disposal of Assets		( 782)
Change in Assets & Liabilities		
(Increase) in Patient Accounts Receivable	( 2,410,520)	( 2,156,014)
Decrease in Third Party Payor Settlements	161,721	324,791
(Increase) Decrease in Accounts Receivable Other	121,510	( 191,364)
(Increase) in Inventories	( 81,233)	( 43,644)
(Increase) in Prepaid Expenses	( 278)	( 2,627)
(Increase) in Prepaid Pension Costs	( 76,181)	( 323,982)
Increase in Accounts Payable	110,686	189,566
Increase (Decrease) in Accrued Payroll & Related Liabilities	319,685	( 87,522)
(Decrease) in Other Accrued Expense	( 4,220)	( 6,811)
Total Adjustments	<u>1,413,208</u>	<u>373,816</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,062,201</u>	<u>2,644,246</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Property & Equipment	( 1,208,430)	( 3,544,706)
Proceeds from Sale of Assets	1,708	5,845
Cash Outflows for Property & Equipment	( 1,206,722)	( 3,538,861)
Decrease in Assets Whose Use is Limited	1,203,620	915,404
NET CASH USED IN INVESTING ACTIVITIES	( 3,102)	( 2,623,457)

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
STATEMENTS OF CASH FLOWS OF GENERAL FUNDS  
FOR THE YEARS ENDED APRIL 30, 1992 & 1991

	<u>Year Ended April 30</u>	
	<u>1 9 9 2</u>	<u>1 9 9 1</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments on Long-Term Debt	(\$ 1,864,743)	(\$ 504,600)
Payments on Capital Lease Obligations	( 7,121)	—
NET CASH (USED) BY FINANCING ACTIVITIES	( 1,871,864)	( 504,600)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	187,235	( 483,811)
Transfer to Employee Group Health and Life Insurance Plan #501 Fund	( 105,757)	—
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	423,330	907,141
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 504,808</u>	<u>\$ 423,330</u>

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year For

Interest (Net of amount capitalized)      \$      77,034      \$      94,869

Supplemental Disclosure of Non Cash Investing and Financing Activity

Purchase of Equipment with Capital Lease Obligations      \$      37,721

*Handwritten note:*  
\$2.5 million renegeting patient rooms - CPHD  
debt that was paid off in Oct of 1991.  
Look at page 17.

Concluded;

the accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
MARY B. JARRELL SCHOLARSHIP FUND  
BALANCE SHEETS  
APRIL 30, 1992 & 1991

	<u>April 30</u>	
	<u>1 9 9 2</u>	<u>1 9 9 1</u>
<u>ASSETS</u>		
Cash	\$ 3,479	\$ 3,233
Investment Securities (Note 3)	<u>243,804</u>	<u>250,291</u>
TOTAL ASSETS	<u>\$ 247,283</u>	<u>\$ 253,524</u>
 <u>FUND BALANCE</u>		
FUND BALANCE, BEGINNING	\$ 253,524	\$ 243,821
<u>Additions</u>		
Investment Income	12,502	17,975
Scholarships Repaid		3,300
<u>Deductions</u>		
Scholarships Paid	( 17,750)	( 10,540)
Investment Management Account Fees	( 988)	( 1,015)
Office Supplies	<u>( 5)</u>	<u>( 17)</u>
FUND BALANCE, ENDING	<u>\$ 247,283</u>	<u>\$ 253,524</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501  
STATEMENT OF NET ASSETS  
APRIL 30, 1992

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ASSETS

Cash		\$ 223,836
Receivables From General Operating Fund		
Employer Contributions	\$ 81,306	
Employee Contributions	<u>12,038</u>	
Total Receivables		<u>93,344</u>
TOTAL ASSETS		<u>317,180</u>

LIABILITIES

Health Claims Payable	37,528	
Estimated Health Claims Incurred But Not Reported	<u>187,591</u>	
TOTAL LIABILITIES		<u>225,119</u>

NET ASSETS

NET ASSETS		<u>\$ 92,061</u>
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The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED APRIL 30, 1992

ADDITIONS TO PLAN ASSETS ATTRIBUTED TO

Employer Contributions	\$ 866,296	
Employee Contributions	159,186	
Refunds on Claims Paid	63,446	
Specific Loss Reimbursement	23,142	
Interest Income	<u>3,813</u>	
Total Additions		\$ 1,115,883

DEDUCTIONS FROM PLAN ASSETS ATTRIBUTED TO

Payments for

Health Claims	793,548
Life Insurance Premiums	21,274
Excess Risk Insurance Premiums	49,193

Additions to Liabilities For

Health Claims	225,119
---------------	---------

Administrative Expenses

Administrative Fees	34,552
Precertification Fees	5,763
Other Administrative Expenses	<u>131</u>

Total Deductions		<u>1,129,580</u>
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NET (DECREASE) IN NET ASSETS ( 13,697)

Transfer From General Operating Fund 105,758

NET ASSETS

End of Year \$ 92,061

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 1992 & 1991

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. System of Accounts

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. 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.

D. 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.

E. Investments and Investment Income

Investment securities are stated at cost which approximates market value.

Investment income from general fund investments is reported as non-operating revenue. Investment income and gains (losses) on investments of special purpose funds are added to (deducted from) the appropriate restricted fund balance.

F. Inventories

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

G. Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the date of receipt.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

LINCOLN GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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

H. 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.

I. 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.

J. Cash and Cash Equivalents

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

K. Specific-Purpose Funds

Specific-purpose funds are resources restricted for a specific purpose or project. The Mary B. Jarrell Scholarship Fund was created for the particular purpose of paying nursing scholarships.

The Employee Group Health and Life Insurance Plan #501 Fund was created for the particular purpose of providing medical and life insurance benefits for substantially all employees.

L. Uncollectible Patient Accounts Receivable

Bad debts are provided on the allowance method based on historical experience and management's evaluation of patient accounts receivable.

M. 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.

LINCOLN GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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2. NET PATIENT SERVICE REVENUE (CONT'D)

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, 1990. A desk review was done for the year ended April 30, 1991, but the final results have not yet been determined.

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 \$505,046 and \$481,529 for 1992 and 1991, respectively. These amounts were deducted in arriving at Net Patient Service Revenue.

LINCOLN GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

3. INVESTMENT SECURITIES

The carrying amounts and approximate market values of investment securities are summarized as follows:

	April 30	
	1992	1991
<u>Current Assets</u>		
Investment Management Accounts	\$ 745,047	\$ 226,218
<u>Restricted for Capital Improvements</u>		
Investment Management Accounts	1,379,276	1,884,330
<u>Mary B. Jarrell Scholarship Fund</u>		
Investment Management Account	<u>243,804</u>	<u>250,290</u>
TOTALS	<u>\$2,368,127</u>	<u>\$2,360,838</u>

4. OTHER ACCOUNTS RECEIVABLE

Other accounts receivable at April 30, 1992 and 1991, are summarized as follows:

	April '30	
	1992	1991
Employee Travel Advances	\$ 1,100	\$ 1,343
Maintenance Insurance Claims Receivable		122,857
Returned Checks	1,059	900
Refund Receivable	10,320	
Receivable from LGG, Inc. (Note 11)	<u>57,375</u>	<u>66,264</u>
TOTAL	<u>\$ 69,854</u>	<u>\$ 191,364</u>

5. 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, 1992 & 1991, is set forth below. Investments are stated at cost which approximates market.

	April 30	
	1992	1991
By board for capital improvements		
Certificates of Deposit	\$ 194,000	\$ 888,000
Investment Securities	1,379,276	1,884,330
Accrued Interest Receivable		<u>4,566</u>
TOTAL	<u>\$1,573,276</u>	<u>\$2,776,896</u>

LINCOLN GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

6. PROPERTY & EQUIPMENT

A summary of property and equipment at April 30, 1992 & 1991 follows:

	April 30	
	1 9 9 2	1 9 9 1
<u>Used in Operations</u>		
Land <sup>1</sup>	\$ 136,944	\$ 136,944
Land Improvements	151,463	84,567
Building Improvements	4,905,237	4,858,010
Equipment	8,575,814	8,276,794
Equipment Under Capital Leases	37,721	
Computer Software	<u>503,757</u>	<u>374,101</u>
Total	14,310,936	13,730,416
Less Accumulated Depreciation	( 5,290,000)	( 4,608,327)
Net	9,020,936	9,122,089
Construction in Progress	<u>42,892</u>	
Total Used in Operations	<u>9,063,828</u>	<u>9,122,089</u>
<u>Not Used in Operations</u>		
Green Clinic Building & Lot <sup>2</sup>	1,382,000	1,382,000
Less Accumulated Depreciation	( 409,993)	( 354,713)
Net	<u>972,007</u>	<u>1,027,287</u>
Property & Equipment - Net	<u>10,035,835</u>	<u>\$10,149,376</u>

Additions to property and equipment totaled \$1,201,552 for the current year and \$4,643,401 for the prior year.

The Hospital has entered into agreements for the purchase of equipment, computer software, and construction. Outstanding commitments as of April 30, 1992 and 1991, were approximately:

	April 30	
	1 9 9 2	1 9 9 1
Equipment	\$ 149,467	\$ 65,514
Computer Software		177,115
Construction	<u>522,191</u>	<u>-0-</u>
Total	<u>\$ 671,658</u>	<u>\$ 242,629</u>

<sup>1</sup> Includes donated value of \$24,950

<sup>2</sup> Includes donated value of \$1,382,000

LINCOLN GENERAL HOSPITAL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1992 & 1991

7. LONG-TERM DEBT & CAPITAL LEASES

A summary of long-term debt and capital leases at April 30, 1992 & 1991 follows:

*paid  
 cur  
 5/11*

*GAAP*

	April 30	
	1992	1991
<u>Long-Term Debt</u>		
Financing agreement payable to Alcon Surgical, Inc. payable by procedural financing costs of \$39.59, each procedure, effective annual interest rate at 12.00%, final payment due approximately November, 1993, collateralized by Surgical Equipment, with a net book value of \$41,997 at April 30, 1992.	\$ 37,655	\$ 41,087
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.	90,462	308,916
Note Payable to Louisiana Public Facilities Authority payable in monthly installments of \$23,809.53, plus interest computed monthly by various factors, final payment due January 20, 1997, secured by pledge of Accounts Receivable. (Note Paid October, 1991)	-0-	1,642,857
Total Long-Term Debt	128,117	1,992,860
Less Current Installments of Long-Term Debt	108,475	522,559
Long-Term Debt Excluding Current Installments	\$ 19,642	\$ 1,470,301

LINCOLN GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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

	April 30	
	1992	1991
<u>Capital Leases</u>		
Capital Lease Obligations at 8.0% imputed interest rate collateralized by leased equipment with an amortized cost of \$32,281 at April 30, 1992	\$ 30,600	
Less current installments of Capital Lease Obligations	<u>7,891</u>	
Capital Lease Obligations excluding current installments	<u>\$ 22,709</u>	

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

	Long-Term Debt	Obligations Under Capital Leases
<i>All 1992 payments</i>	Year Ended April 30	
	1993	10,054
	1994	10,053
	1995	10,053
	1996	<u>5,052</u>
	Total	<u>35,212</u>
	Less Amount Representing Interest Obligations Under Capital Leases	<u>4,612</u>
	Total	<u>\$ 30,600</u>

Interest costs included in operating expenses for 1992 and 1991 were \$77,034 and \$94,869, respectively.

Interest capitalized on construction in progress for the year ended April 30, 1991, was as follows:

Interest cost	\$ 111,342
Less Interest Earned on Tax-Exempt Borrowed Funds	<u>( 34,189 )</u>
Net Interest Capitalized	<u>\$ 77,153</u>

LINCOLN GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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

On January 19, 1990, the Hospital became contingently liable for an irrevocable standby letter of credit in the amount of \$2,253,150.80 established by Hibernia National Bank in favor of Premier Bank, N.A., trustee for the Louisiana Public Facilities Authority to secure loan repayments required to be paid by the Hospital to the Authority. Hibernia National Bank was granted a continuing security interest in the Hospital's accounts receivable as a condition to the issuance of this letter of credit. The Note Payable to Louisiana Public Facilities Authority was paid and above agreements terminated in October of 1991.

On January 20, 1992, the Hospital was granted a revolving line of credit in the amount of \$1,000,000 at a fixed rate of 8.00%, payable on demand, due and renewable January 19, 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.

On January 20, 1992, the Hospital was also granted a revolving line of credit in the amount of \$1,000,000 at a variable interest rate equal to New York Prime, due and renewable August 31, 1992, 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.

As of April 30, 1992, no advances had been made to the Hospital by either of these banks.

8. PENSION PLAN

The Hospital has a defined benefit pension plan covering substantially all its employees. 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.

LINCOLN GENERAL HOSPITAL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1992 & 1991

8. PENSION PLAN (CONT'D)

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 FASB 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, 1992 & 1991, includes the following components:

	<u>Year Ended April 30</u>	
	<u>1992</u>	<u>1991</u>
Service Cost Benefits Earned During the Year	\$ 219,065	\$ 115,522
Interest Cost on Projected Benefit Obligation	547,885	388,331
Actual Return on Plan Assets	( 624,254 )	( 865,508 )
Net Amortization and Deferral	<u>87,262</u>	<u>309,780</u>
Net Periodic Pension costs	<u>\$ 229,958</u>	<u>(\$ 51,875)</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%

The following table sets forth the plan's funded status of amounts recognized in the Hospital's financial statements at April 30, 1992 & 1991.

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LINCOLN GENERAL HOSPITAL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1992 & 1991

8. PENSION PLAN (CONT'D)

	April 30	
	1 9 9 2	1 9 9 1
Actuarial Present Value of Benefit Obligations:		
Vested Benefit Obligations	\$5,490,712	\$3,697,883
Nonvested Benefit Obligation	36,163	36,730
Accumulated Benefit Obligation	5,526,875	3,734,613
Effect of Projected Future Compensation Levels	1,631,809	1,552,406
Estimated Projected Benefit Obligation	7,158,684	5,287,019
Plan Assets at Fair Value	7,851,860	7,067,094
Funded Status--Plan Assets in Excess of Projected Benefit Obligation	693,176	1,780,075
Unrecognized Net Gain from Past Experience Different from that Assumed	( 421,288)	( 492,936)
Prior Service Cost Not Yet Recognized in Net Periodic Costs	1,005,055	15,890
Unrecognized Net (Gain) or Loss Occurring During the Year	( 82,985)	( 185,252)
Prepaid Pension Costs	\$1,193,958	\$1,117,777

9. COMPENSATED ABSENCESPaid 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  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 APRIL 30, 1992 & 1991

9. 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, 1992 and 1991, was \$506,040 and \$377,979, 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 seven work days (56 work hours) of an illness are not covered by this plan which is only available for full time employees.

Unlike PTO, EID's are paid only if the employee is ill for more than seven consecutive work days. EID's are accrued at the rate of 4 hours per month, or 48 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 therefor is recorded in the accounts.

10. 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, 1992, 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>
1993	167,144
1994	136,200
1995	136,200
1996	136,200
1997-2001	606,750
2002	<u>160,000</u>
Total minimum lease payments	<u>1,342,494</u>

LINCOLN GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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10. LEASE COMMITMENTS (CONT'D)

Total rental expense for all operating leases for the years ended April 30, 1992 and 1991, was approximately \$336,916 and \$334,770, respectively.

11. RELATED PARTY TRANSACTIONS

On May 3, 1990, Lincoln General Hospital formed LGG, Inc., a wholly owned subsidiary. Four members of the Board of Directors of Lincoln General Hospital also serve on the Board of Directors of LGG, 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.

At April 30, 1992 and 1991, the receivable from LGG, Inc., included promissory notes in the amount of \$57,000 and \$64,709, respectively, payable on demand with interest at 8% per annum. Accrued interest receivable at April 30, 1992 and 1991, on the above notes was \$375 and \$1,555, respectively. Interest paid for year ended April 30, 1992 was \$6,321.

The Hospital expensed Physical Therapy fees to Ruston Outpatient Physical Therapy Services in the amount of \$102,022 and \$28,688 for the years ended April 30, 1992 and 1991. Included in accounts payable at April 30, 1992 and 1991, is \$8,416 and \$8,031, respectively, of the above expenses.

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

12. 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.

13. 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.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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14. 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 Fund Balance and Employee Group Health and Life Insurance Plan #501 Net Assets is a decrease and increase of \$105,758, respectively.

Also for the current year, the Hospital adopted the accrual method for recording liabilities for Health Claims Payable and Estimated Health Claims Incurred But Not Reported on the Employee Group Health and Life Insurance Plan #501 Fund.

It was not practicable to present prior years financial statements to reflect the above changes.

15. 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.
- 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.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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

Deposits are calculated monthly based on these rates and payments are made to the Plan Account to cover the Plan's financial obligations. An increase of 9.6% in monthly deposit rates has been approved by the Hospital for 1992.

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, 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.

F. EXCESS RISK AND LIFE INSURANCE CONTRACTS

Lincoln General Hospital, Inc. has contracted with North American Life and Casualty Company for aggregate and specific excess risk insurance and life insurance.

LINCOLN GENERAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
APRIL 30, 1992 & 1991

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

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.

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