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LINCOLN GENERAL HOSPITAL, INC.

RUSTON, LOUISIANA

FINANCIAL REPORT

APRIL 30, 1996 & 1995

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 MAY 28 1996

ROBERT E. HOLLADAY III, CPA

116 PINECREST DRIVE

RUSTON, LA 71270

MEMBER
AMERICAN INSTITUTE OF CPA'S
SOCIETY OF LOUISIANA CPA'S

TELEPHONE
318-255-0821

July 19, 1996

Management Letter

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

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RUSTON, LA

Re: Management Letter & Audit
Year Ended April 30, 1996

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, 1996, I considered the Hospital's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and the combining and individual fund financial statements and not to provide assurance on the internal control structure.

I reported on the Hospital's internal control structure in our report dated July 19, 1996. This letter does not affect the report cited above or the financial statements.

I made an oral report to the Hospital Administrator, Mr. Allen Tuten and his management staff on several matters which I believe will improve accounting procedures and financial reporting.

Internal Control Structure

Status of Prior Findings

All prior findings have been or are in process of being satisfactorily resolved.

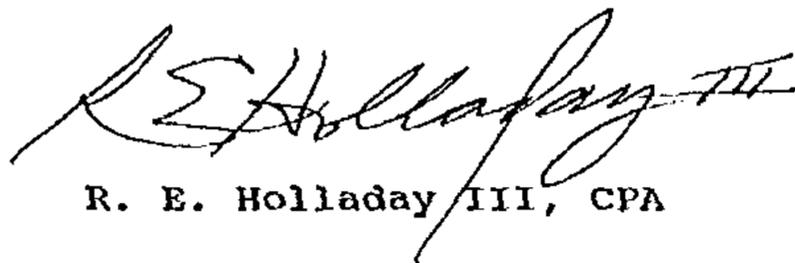
To the Board of Directors
Lincoln General Hospital, Inc.
Page 2

Compliance with Laws & Regulations

Status of Prior Findings

All prior compliance findings have been corrected.

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



R. E. Holladay III, CPA

Ruston, Louisiana
July 19, 1996

LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1996

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FINANCIAL REPORT

YEAR ENDED APRIL 30, 1996

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LINCOLN GENERAL HOSPITAL, INC.

FINANCIAL REPORT

YEAR ENDED APRIL 30, 1996

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FINANCIAL SECTION

ROBERT E. HOLLADAY III, CPA

116 PINECREST DRIVE

RUSTON, LA 71270

MEMBER
AMERICAN INSTITUTE OF CPA'S
SOCIETY OF LOUISIANA CPA'S

Independent Auditor's Report

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318-255-0821

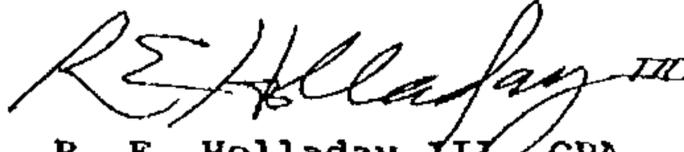
To the Board of Directors
Lincoln General Hospital, Inc.
P. O. Drawer 1368
Ruston, LA 71273-1368

I have audited the accompanying financial statements of Lincoln General Hospital, Inc. (a nonprofit corporation) as of and for the year ended April 30, 1996, and the combining and individual fund financial statements of the Hospital as of and for the years ended April 30, 1996 and 1995, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln General Hospital, Inc., as of April 30, 1996, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in my opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Lincoln General Hospital, Inc., as of April 30, 1996 and 1995, and the results of operations of such funds and the cash flows of the individual proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated July 19, 1996, on my consideration of The Hospital's internal control structure and a report dated July 19, 1996, on its compliance with laws and regulations.


R. E. Holladay III, CPA

Ruston, Louisiana
July 19, 1996

FINANCIAL STATEMENTS

LINCOLN GENERAL HOSPITAL, INC.
COMBINED BALANCE SHEET - ALL FUND TYPES
APRIL 30, 1996

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Expendable Trust Fund</u>	<u>Memorandum Only</u>
ASSETS				
Cash	\$ 618,819	\$ 88,052	\$ 3,806	\$ 710,677
Investments at Cost	3,044,789	632,385	246,530	3,923,704
Assets Whose Use is Limited and are Required for Current Liabilities	932,084			932,084
Patient Accounts Receivable Net of Allowances of \$6,514,200	6,942,464			6,942,464
Estimated Third-Party Payor Settlements	617,670			617,670
Other Accounts Receivable	67,670	1,262		68,932
Due From Other Funds	274,483	120,634		395,117
Inventories	1,282,466			1,282,466
Prepaid Expenses	320,690	28,412		349,102
Deferred Income Taxes		2,490		2,490
Investment in Partnership		325,068		325,068
Investment in NurseSource, Inc.		81,050		81,050
Assets Whose Use is Limited by Board for Capital Improvements	6,241,032			6,241,032
Property & Equipment-Net	9,029,402			9,029,402
Prepaid Pension Cost	1,351,260			1,351,260
Deposits	208			208
Organization Cost	375,078			375,078
TOTAL ASSETS	<u>\$31,098,115</u>	<u>\$ 1,279,353</u>	<u>\$ 250,336</u>	<u>\$32,627,804</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
COMBINED BALANCE SHEET - ALL FUND TYPES
APRIL 30, 1996

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Funds</u> <u>Expendable</u> <u>Trust Fund</u>	<u>Memorandum</u> <u>Only</u>
LIABILITIES				
Accounts Payable	\$ 1,347,632	\$ 30,327		\$ 1,377,959
Estimated Health Claims Incurred but not Reported		371,046		371,046
Estimated Third-Party Payor Settlements	8,913			8,913
Current Installments of Debt & Capital Lease Obligations	425,009			425,009
Accrued Liabilities	1,497,252			1,497,252
Due to Other Funds	293,117	102,000		395,117
Deferred Revenue	2,925			2,925
Long-Term Debt & Capital Lease Obligations Excluding Current Installments	<u>1,308,709</u>			<u>1,308,709</u>
TOTAL LIABILITIES	<u>4,883,557</u>	<u>503,373</u>		<u>5,386,930</u>
FUND EQUITY				
Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued and Outstanding	56,530			56,530
Retained Earnings				
Reserved for Capital Improvements	6,241,032			6,241,032
Reserved for Health Claims		421,324		421,324
Unreserved	19,916,996	354,656		20,271,652
Fund Balances				
Reserved for Scholarships			\$ 250,336	250,336
TOTAL FUND EQUITY	<u>26,214,558</u>	<u>775,980</u>	<u>250,336</u>	<u>27,240,874</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$31,098,115</u>	<u>\$ 1,279,353</u>	<u>\$ 250,336</u>	<u>\$32,627,804</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, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>Revenues</u>		
Income from Investments	\$ 13,069	\$ 11,317
<u>Expenditures</u>		
Scholarships Paid	9,386	4,207
Grambling State University Foundation		5,000
Investment Management Account Fees	35	50
Other Expense		<u>5</u>
Total Expenditures	<u>9,421</u>	<u>9,262</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,648	2,055
FUND BALANCE, BEGINNING	<u>246,688</u>	<u>244,633</u>
FUND BALANCE, ENDING	<u>\$ 250,336</u>	<u>\$ 246,688</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, 1996

	<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	\$37,794,173		\$37,794,173
Other Operating Revenues	566,821		566,821
Income from Partnership		\$ 140,448	140,448
Employer Contributions		1,180,317	1,180,317
Employee Contributions		236,714	236,714
Refunds on Claims Paid		5,467	5,467
Specific Loss Reimbursement		<u>694,140</u>	<u>694,140</u>
TOTAL OPERATING REVENUES	38,360,994	2,257,086	40,618,080
OPERATING EXPENSES	<u>35,602,667</u>	<u>2,402,482</u>	<u>38,005,149</u>
OPERATING INCOME (LOSS)	2,758,327	(145,396)	2,612,931
NON-OPERATING REVENUES	<u>299,195</u>	<u>26,583</u>	<u>325,778</u>
INCOME (LOSS) BEFORE INCOME TAX	3,057,522	(118,813)	2,938,709
INCOME TAX		<u>24,547</u>	<u>24,547</u>
NET INCOME (LOSS)	<u>3,057,522</u>	<u>(143,360)</u>	<u>2,914,162</u>
INCREASE (DECREASE) IN RETAINED EARNINGS			
Reserved/Capital Improvements	1,309,206		1,309,206
Reserved/Health Claims		(220,981)	(220,981)
Unreserved	1,748,316	77,621	1,825,937
RETAINED EARNINGS - BEGINNING			
Reserved	4,931,827	642,305	5,574,132
Unreserved	<u>18,168,680</u>	<u>277,035</u>	<u>18,445,715</u>
RETAINED EARNINGS - ENDING			
Reserved	6,241,032	421,324	6,662,356
Unreserved	<u>19,916,996</u>	<u>354,656</u>	<u>20,271,652</u>
TOTAL RETAINED EARNINGS	<u>\$26,158,028</u>	<u>\$ 775,980</u>	<u>\$26,934,008</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, 1996

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Totals Memorandum Only</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net Income (Loss)	\$ 3,057,522	(\$ 143,360)	\$ 2,914,162
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:			
Amortization/Organization Cost	2,902		2,902
Depreciation	1,911,915		1,911,915
Provision for Bad Debts	2,574,086		2,574,086
Loss on Disposal of Equipment	115,936		115,936
Partnership Net Income		(140,448)	(140,448)
Changes in Assets and Liabilities:			
<u>(Increase) Decrease/Assets</u>			
Patient Accounts Receivable	(2,134,564)		(2,134,564)
Accounts Receivable Other	(39,220)	2,597	(36,623)
Third-Party Payor Settlements	(456,517)		(456,517)
Accrued Interest, LGG, Inc.	7,861		7,861
Inventories	4,460		4,460
Due from Operating Fund for Plan Contributions		(7,585)	(7,585)
Prepaid Expenses	(126,660)	(28,412)	(155,072)
Deferred Income Taxes		(1,375)	(1,375)
Prepaid Pension Costs	(39,958)		(39,958)
<u>Increase (Decrease)/Liabilities</u>			
Accounts Payable	141,184	(3,400)	137,784
Accrued Payroll & Related Liabilities	104,577	(22,858)	81,719
Other Accrued Liabilities	16,996		16,996
Due to Employee Group Health & Life Ins Plan #501	7,585		7,585
Health Claims Payable		(188,851)	(188,851)
Estimated Health Claims Incurred but not Reported		231,024	231,024
Total Adjustments	<u>2,090,583</u>	<u>(159,308)</u>	<u>1,931,275</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>5,148,105</u>	<u>(302,668)</u>	<u>4,845,437</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, 1996

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Totals Memorandum Only</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Distribution from Partnership		\$ 110,000	\$ 110,000
Loan to NurseSource Home Care	(\$ 33,221)		(33,221)
Collection on LGG, Inc. Note	<u>13,050</u>		<u>13,050</u>
NET CASH PROVIDED BY (USED) FOR INVESTING ACTIVITIES	<u>(20,171)</u>	<u>110,000</u>	<u>89,829</u>
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>			
Loan from Lincoln General Hospital, Inc.	33,221		33,221
Acquisition & Construction of Capital Assets	(1,376,098)		(1,376,098)
Proceeds from Sale of Equipment	938		938
(Increase) in Assets Whose Use is Limited	(1,403,071)		(1,403,071)
Principal Payments on Long-Term Debt	(372,142)		(372,142)
Payments on Capital Lease Obligations	(33,960)		(33,960)
Payments on Notes Payable		(13,050)	(13,050)
Organization Cost	<u>(367,339)</u>		<u>(367,339)</u>
NET CASH (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(3,518,451)</u>	<u>(13,050)</u>	<u>(3,531,501)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,609,483	(205,718)	1,403,765
CASH & CASH EQUIVALENTS - MAY 1, 1995	<u>2,054,125</u>	<u>926,155</u>	<u>2,980,280</u>
CASH & CASH EQUIVALENTS - APRIL 30, 1996	<u>\$ 3,663,608</u>	<u>\$ 720,437</u>	<u>\$ 4,384,045</u>
<u>Supplemental Disclosures of Cash Flow Information</u>			
Cash Paid During the Year For			
Income Taxes		\$ 74,110	\$ 74,110
Interest	\$ 136,157	\$ 18,264	\$ 154,421
<u>Supplemental Disclosure of Non Cash Investing and Financing Activity</u>			
Purchase of Equipment with Capital Lease Obligation	\$ 147,465	\$ -0-	\$ 147,465

(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, 1996 & 1995

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization - Financial Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation - Fund Accounting

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

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

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

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

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

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

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

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

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

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

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

C. Budgets and Budgetary Accounting

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

D. Assets Whose Use Is Limited

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

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

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

E. Estimates

The preparation of these financial statements requires the Hospital to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

F. 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.

G. Investments and Investment Income

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

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

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

H. 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.

I. Inventories

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

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

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

J. 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.

K. 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.

L. Income Taxes

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

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

Beginning with the year ended April 30, 1994, LGG, Inc. filed consolidated Federal Income Tax returns with its wholly owned subsidiary, NurseSource Home Care, Inc. LGG, Inc. and NurseSource Home Care, Inc. file separate Louisiana Income Tax Returns.

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

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

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

M. 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.

N. 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.

O. 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.

P. 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.

Q. 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, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

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 subject to cost limits and fee schedules. 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

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

Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost based methodology subject to fee schedules. 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, 1995.

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 \$663,741 and \$1,014,633 for 1996 and 1995, respectively. These amounts were deducted in arriving at Net Patient Service Revenue.

3. INVESTMENT MANAGEMENT ACCOUNTS AND SECURITIES

Investment Management Accounts and Securities are summarized as follows:

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

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

	<u>April 30</u>	
	<u>1996</u>	<u>1995</u>
<u>Lincoln General Hospital, Inc.</u>		
<u>Current Assets</u>		
Investment Management Accounts	\$ 3,044,789	\$ 1,255,775
<u>Limited for Capital Improvements</u>		
Investment Management Accounts	7,173,116	4,797,147
U.S. Treasury Bills		972,898
<u>Employee Group Health & Life</u>		
<u>Insurance Plan #501</u>		
Investment Management Account	632,385	599,533
<u>Mary B. Jarrell Scholarship Fund</u>		
Investment Management Account	246,530	238,961
TOTAL	<u>\$11,096,820</u>	<u>\$ 7,864,314</u>

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

<u>Lincoln General Hospital, Inc.</u> <u>Limited for Capital Improvements</u>	<u>Principal</u> <u>Balance</u>	<u>Unamortized</u> <u>Discount</u>	<u>Carrying</u> <u>Value</u>	<u>Estimated</u> <u>Market Value</u>
U.S. Treasury Bills Due in One Year or Less	\$1,000,000	\$ 27,102	\$ 972,898	\$ 942,100

Unrealized losses were approximately \$30,798 at year ended April 30, 1995. Security balances at April 30, 1996 were -0-.

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

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

<u>Description</u>	<u>Category 1</u>	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Management Accounts	<u>\$11,096,820</u>	<u>\$11,096,820</u>	<u>\$11,096,820</u>

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

4. OTHER ACCOUNTS RECEIVABLE

Other accounts receivable at April 30, 1996 and 1995, are summarized as follows:

	April 30	
	1 9 9 6	1 9 9 5
<u>Lincoln General Hospital, Inc.</u>		
Accounts Receivable-Returned Checks	\$ 2,480	\$ 1,084
Accounts Receivable-Miscellaneous	64,490	26,328
Employee Travel Advances	700	1,038
TOTAL	\$ 67,670	\$ 28,450
<u>LGG, Inc.</u>		
Federal & LA Income Tax Claims Receivable	\$ 1,262	\$ 3,859

As of April 30, 1996, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
Lincoln General Hospital, Inc.	\$ 274,483	\$ 118,214
LGG, Inc.		102,000
NurseSource Home Care, Inc.		174,903
Employee Group Health & Life Insurance Plan #501	120,634	
Totals	\$ 395,117	\$ 395,117

5. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

Estimated Third-Party Payor Settlements at April 30, 1996, are summarized below.

Lincoln General Hospital, Inc.

	Medicare	Medicaid	Total
<u>Receivables</u>			
Year Ended 4-30-96	\$ 474,390	\$ 30,383	\$ 504,773
Year Ended 4-30-95	73,733	34,100	107,833
Totals	\$ 548,123	\$ 64,483	\$ 612,606

NurseSource Home Care, Inc.

Receivables (Payables)

Year Ended 4-30-96	(\$ 8,913)	\$ 2,486	(\$ 6,427)
4 Months Ended 4-30-95	2,295	283	2,578
Totals	(\$ 6,618)	\$ 2,769	(\$ 3,849)

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

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, 1996 & 1995, is set forth below.

	April 30	
	1 9 9 6	1 9 9 5
By Board for Capital Improvements		
Investment Management Accounts	\$ 7,173,116	\$ 4,797,147
Investment Securities		972,898
TOTAL	\$ 7,173,116	\$ 5,770,045

7. PROPERTY & EQUIPMENT

A summary of property and equipment at April 30, 1996 & 1995 follows:

Lincoln General Hospital, Inc.

	April 30	
	1 9 9 6	1 9 9 5
<u>Used in Operations</u>		
Land ¹	\$ 136,944	\$ 136,944
Land Improvements	172,282	166,233
Building Improvements	5,846,353	5,872,010
Equipment	12,092,316	11,108,666
Equipment Under Capital Leases	257,226	109,761
Computer Software	738,751	644,382
Total	19,243,872	18,037,996
Less Accumulated Depreciation	(10,339,425)	(8,800,401)
Net Used in Operations	8,904,447	9,237,595
<u>Not Used in Operations</u>		
Green Clinic Building & Lot ²	1,382,000	1,382,000
Less Accumulated Depreciation	(1,262,226)	(1,151,667)
Net Not Used in Operations	119,774	230,333
Property & Equipment - Net	\$ 9,024,221	\$ 9,467,928

¹ Includes donated value of \$24,950

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

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

7. PROPERTY & EQUIPMENT (CONT'D)

Additions to property and equipment totaled \$1,583,913 for the current year and \$2,725,313 for the prior year. Depreciation expense for years ended April 30, 1996 & 1995 was \$1,910,745 and \$2,271,382, respectively.

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

NurseSource Home Care, Inc.

	April 30	
	1 9 9 6	1 9 9 5
<u>Used in Operations</u>		
Equipment	\$ 7,726	\$ 7,726
Less Accumulated Depreciation	(2,545)	(1,375)
Net Used in Operations	\$ 5,181	\$ 6,351

Additions to NurseSource property and equipment totaled \$ -0- for the current year and \$2,034 for the prior year. Depreciation expense for years ended April 30, 1996 & 1995 was \$1,170 and \$1,120 respectively.

8. LONG-TERM DEBT & CAPITAL LEASES

A summary of long-term debt and capital leases at April 30, 1996 & 1995 follows:

	April 30	
	1 9 9 6	1 9 9 5
<u>Long-Term Debt</u>		
Note Payable to General Electric Capital Corporation owner of General Electric Capital Corporation Revenue note Lincoln General Hospital Series 1996, issued January 6, 1995, by the Louisiana Public Facilities Authority in the amount of \$2,021,260. The note is due \$39,030 monthly including interest at 5.95%, final payment due January 6, 2000, secured by X-ray equipment with a net book value of \$1,154,006 & \$1,776,538 at April 30, 1996 & 1995, respectively and Escrow Funds in the amount of \$125,711 at April 30, 1996 & \$500,658 less accounts payable of \$363,985 at April 30, 1995.	\$ 1,570,715	\$ 1,933,805

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

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

	April 30	
	1 9 9 6	1 9 9 5
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 made August, 1995, collateralized by Surgical Equipment, with a net book value of \$27,318 at April 30, 1995.	\$ <u>-0-</u>	\$ <u>9,052</u>
Total Long-Term Debt	1,570,715	1,942,857
Less Current Installments of Long-Term Debt	385,293	372,142
Long-Term Debt Excluding Current Installments	<u>\$ 1,185,422</u>	<u>\$ 1,570,715</u>
<u>Capital Leases</u>		
Capital Lease Obligations at 6.0% & 13.090% imputed interest rates collateralized by leased equipment with an amortized cost of \$162,848 & \$55,584 at April 30, 1996 & 1995, respectively.	\$ 163,003	\$ 49,498
Less current installments of Capital Lease Obligations	39,716	19,352
Capital Lease Obligations excluding current installments	<u>\$ 123,287</u>	<u>\$ 30,146</u>

Scheduled principal repayments on long-term debt and payments on capital lease obligations as of April 30, 1996, are as follows:

Year Ended April 30	Long-Term Debt	Obligations Under Capital Leases
1997	\$ 385,293	\$ 59,936
1998	408,853	55,546
1999	433,855	40,263
2000	342,714	40,264
2001	_____	13,421
Total	<u>\$1,570,715</u>	206,430
	Less Amount Representing Interest Obligations Under Capital Leases	(<u>43,427</u>)
	Total	<u>\$ 163,003</u>

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

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

Interest costs included in Lincoln General Hospital, Inc. expenses for 1996 and 1995 were \$118,641 and \$64,218, respectively.

9. PENSION PLAN

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

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

The actuarially computed net periodic pension cost for the years ended April 30, 1996 & 1995, includes the following components:

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
Service Cost Benefits Earned During the Year	\$ 294,386	\$ 269,975
Interest Cost on Projected Benefit Obligation	747,550	754,330
Actual Return on Plan Assets	(750,071)	(214,054)
Net Amortization and Deferral	<u>35,793</u>	<u>(485,101)</u>
Net Periodic Pension costs	<u>\$ 327,658</u>	<u>\$ 325,150</u>

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
Assumptions Used in the Accounting for Net Periodic Pension Costs Were:		
Discount Rates	7.5%	8.0%
Rates of Increase in Compensation Levels	4.0%	6.0%
Expected Long-Term Rate of Return on Assets	8.0%	8.0%

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

9. PENSION PLAN (CONT'D)

The following table sets forth the plan's funded status of amounts recognized in the Hospital's financial statements at April 30, 1996 & 1995.

	<u>April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
Actuarial Present Value of Benefit Obligations:		
Vested Benefit Obligations	\$ 9,123,389	\$ 7,573,890
Nonvested Benefit Obligation	<u>196,560</u>	<u>134,435</u>
Accumulated Benefit Obligation	9,319,949	7,708,325
Effect of Projected Future Compensation Levels	<u>1,240,620</u>	<u>1,964,616</u>
Estimated Projected Benefit Obligation	10,560,569	9,672,941
Plan Assets at Fair Value	<u>10,299,855</u>	<u>9,475,647</u>
Funded Status--Plan Assets in Excess (Deficiency) of Projected Benefit Obligation	(260,714)	(197,294)
Unrecognized Net Gain from Past Experience Different from that Assumed	(134,696)	(206,344)
Prior Service Cost Not Yet Recognized in Net Periodic Costs	569,003	678,016
Unrecognized Net (Gain) or Loss Occurring During the Year	<u>1,177,667</u>	<u>1,036,924</u>
Prepaid Pension Costs	<u>\$ 1,351,260</u>	<u>\$ 1,311,302</u>

10. COMPENSATED ABSENCES

Paid Time Off Plan

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

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

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

10. COMPENSATED ABSENCES (CONT'D)

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

Compensated absences under the Paid Time Off Plan do vest and accumulate with the appropriate accrual therefor recorded in the accounts. The total liability at April 30, 1996 and 1995, was \$737,421 and \$704,032, respectively.

Extended Illness Days Plan

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

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

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

11. LEASE COMMITMENTS

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

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

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

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

11. LEASE COMMITMENTS (CONT'D)

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

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

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

<u>Maturity Date</u>	<u>Annual Principal Installments</u>
July 1, 1996 through 1998	\$ 733,333
July 1, 1999 through 2008	333,333

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

The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 1996, that have initial or remaining lease terms in excess of one year.

<u>Year Ending April 30</u>	<u>LPBC Basic Lease Payments</u>	<u>LPBC Additional Lease Payments</u>	<u>Other Minimum Lease Payments</u>	<u>Total Minimum Lease Payments</u>
1997	\$ 120,000	\$ 960,248	\$ 49,876	\$ 1,130,124
1998	120,000	926,440	23,376	1,069,816
1999	120,000	892,638	18,696	1,031,334
2000	120,000	540,864 ³	18,696	679,560
2001	120,000	458,826 ³	14,400	593,226
2002-2009	<u>760,000</u>	<u>2,839,647³</u>	<u> </u>	<u>3,599,647</u>
Totals	<u>\$ 1,360,000</u>	<u>\$ 6,618,663</u>	<u>\$ 125,044</u>	<u>\$ 8,103,707</u>

³Assumes Interest Rate of 4.61%

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

11. LEASE COMMITMENTS (CONT'D)

Total rental expense for all operating leases for the years ended April 30, 1996 and 1995, was as follows:

Year Ending <u>April 30</u>	LPBC Basic Lease <u>Payments</u>	LPBC Additional Lease <u>Payments</u>	Other Rental <u>Payments</u>	Total Rental & Lease <u>Payments</u>
1996	\$ <u>120,000</u>	\$ <u>988,000</u>	\$ <u>134,277</u>	\$ <u>1,242,277</u>
1995	\$ <u>120,000</u>	\$ <u>1,064,450</u>	\$ <u>122,564</u>	\$ <u>1,307,014</u>

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

12. HOSPITAL REVENUE BONDS

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

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

13. RELATED PARTY TRANSACTIONS

At April 30, 1996 and 1995, the Due to Lincoln General Hospital, Inc. from LGG, Inc., included promissory notes in the amount of \$102,000 and \$115,050, respectively, payable on demand with interest at 8% per annum. Accrued interest receivable at April 30, 1996 and 1995, included in the above notes was \$ -0- and \$7,861, respectively. Interest income from LGG, Inc. for years ended April 30, 1996 and 1995 was \$8,760 and \$9,501, respectively.

The Hospital expensed Physical Therapy fees to Ruston Outpatient Physical Therapy Services in the amount of \$236,003 and \$238,548 for the years ended April 30, 1996 and 1995. Included in accounts

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

13. RELATED PARTY TRANSACTIONS (CONT'D)

payable at April 30, 1996 and 1995, is \$17,066 and \$24,419, respectively, of the above expenses. Rental payments received from Ruston Outpatient Physical Therapy Services for use of the Hospital's facilities for outpatient procedures were \$6,469 and \$7,057 for years ended April 30, 1996 and 1995.

LGG, Inc. expensed management fees to the Hospital in the amount of \$11,000 and \$4,000 for the years ended April 30, 1996 and 1995, respectively.

At April 30, 1996 and 1995, the Due to Lincoln General Hospital, Inc. from NurseSource Home Care, Inc. included promissory notes in the amount of \$172,483 and \$139,262 payable on demand with interest at 8% per annum. Accrued interest receivable included in the above note was \$2,581 and \$7,540 for the years ended April 30, 1996 and 1995, respectively.

NurseSource Home Care, Inc. expensed management fees to the Hospital in the amount of \$24,000 and \$19,000 for the years ended April 30, 1996 and 1995, respectively.

14. INCOME TAXES

For the year ended April 30, 1996, LGG, Inc. recorded a deferred Federal & Louisiana Income Tax (Benefit) of (\$1,375) and a current tax provision of \$13,588. The deferred tax (benefit) computed at the statutory rate is due primarily to a contribution carryover.

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

	Louisiana LGG, Inc.	Louisiana NurseSource Home Care, Inc.	Federal Consolidated Income
Net Income (Loss) Before Provision for Federal & LA Income Tax	\$ 102,168	(\$ 32,260)	\$ 69,908
Nondeductible Expenses		129	129
Partnership K-1 Adjustments	(12,258)		(12,258)
Contribution Carryover	3,653		3,653
Federal Income Tax	(9,281)		
LGG Louisiana Income Tax			(4,307)
Taxable Income (Loss)	<u>\$ 84,282</u>	<u>(\$ 32,131)</u>	<u>\$ 57,125</u>

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

14. INCOME TAXES (CONT'D)

NurseSource Home Care, Inc. has a Louisiana Net Operating Loss Carryover of \$126,971 which expires in 2009 to 2011. It may be offset against future Louisiana taxable income. Deferred Louisiana income tax benefits of \$5,079 (computed at the statutory rate of 4%) net of a valuation allowance of \$5,079 would be -0- for the year ended April 30, 1996.

15. LITIGATION

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

16. EMPLOYEE GROUP HEALTH AND LIFE INSURANCE PLAN #501

DESCRIPTION OF THE PLAN

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

A. General

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

B. Benefits

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

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

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 these rates and payments are made to the Plan Account to cover the Plan's financial obligations.

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

D. Estimates - Benefit Obligations

Plan Liabilities for health claims incurred but not reported as of April 30, 1996 and 1995, are estimated by the Plan Supervisor, Employee Benefit Services, Inc. Such estimated amounts are reported in the accompanying statements.

E. Plan Amendments

Effective September 1, 1995, the effective date of non-contributory coverage will be the eligibility date unless such coverage is waived.

Effective September 1, 1995, evidence of good health is required if an employee waives the right to non-contributory coverage and then requests coverage at a later date.

Effective January 1, 1996, the plan will pay 70%, after the deductible, for outpatient surgical procedures if performed at Lincoln General Hospital, Inc. or in a physician's office. Outpatient surgical procedures performed at any other facility will be paid at 50%, after the deductible.

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

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

LINCOLN GENERAL HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 1996 & 1995

16. 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.

17. FUND EQUITY

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

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

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

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

18. CONCENTRATIONS OF CREDIT RISK

The Hospital has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. The maximum loss that would have resulted from that risk totalled \$846,639 and \$383,545 as of April 30, 1996 and 1995, respectively, for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance.

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 \$37,794,173 and \$36,506,395 for the years ended April 30, 1996, and 1995, respectively.

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

19. BOARD MEMBER COMPENSATION

No compensation was paid to any member of the boards of directors. Board members who served during the year ended April 30, 1996, are listed below.

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

20. SEGMENT INFORMATION - ENTERPRISE FUND

The Hospital maintains two funds which are intended to be self-supporting through user charges for goods and services provided to the general public for Hospital & Home Care. Financial segment information not presented in the financial statements is presented below for the year ended April 30, 1996.

	<u>NurseSource Home Care, Inc.</u>	<u>Lincoln General Hospital, Inc.</u>
Property & Equipment		
Additions		\$ 1,583,913
Dispositions		\$ 378,037
Net Working Capital	(\$ 83,698)	\$10,609,985

LINCOLN GENERAL HOSPITAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 1996 & 1995

21. OTHER COMMITMENTS

The Hospital had outstanding commitments for the purchase of equipment in the amount of \$718,998 and \$58,327 as of April 30, 1996 and 1995, respectively.

22. REORGANIZATION

On July 9, 1996, Lincoln General Hospital, Inc. and the Lincoln Parish Police Jury executed a Definitive Agreement to create Lincoln Health System, a consortium made up of the following members.

<u>Hospital</u>	<u>Location</u>
Lincoln General Hospital, Inc.	Ruston
Glenwood Regional Medical Center	West Monroe
St. Francis Medical Center	Monroe
Willis-Knighton Medical Center	Shreveport

The agreement provides that the three out-of-town members will pay the Lincoln Parish Police Jury \$10,000,000 for their entire interest in Lincoln General Hospital property and equipment for which they will receive a 40% interest in Lincoln Health System. Lincoln General Hospital, Inc. will transfer all of its assets net of liabilities to Lincoln Health System for which it will acquire a 60% interest to be held by Lincoln Health Foundation, an entity that will be created by Lincoln Health System. The proposed consortium agreement is subject to approval by the voters of Lincoln Parish by ballot on September 21, 1996.

As of April 30, 1996, Lincoln General Hospital, Inc., had incurred legal and accounting fees in connection with the reorganization in the amount of \$367,339, which was capitalized as organization cost. Subsequent to April 30, 1996, to the date of this report, additional legal and accounting fees were incurred in the amount of \$248,466 for a total of \$615,805 to date. Additional cost yet to be determined will be incurred.

If the consortium agreement is approved by the voters, the out-of-town partners have agreed to reimburse Lincoln General Hospital, Inc., for three-fourths of the total organization cost. The remaining organization cost will be an asset transferred to Lincoln Health System where it will be amortized as an expense over a five year period. If the Agreement is not approved by the voters, Lincoln General Hospital will then write-off the total organization cost as an expense.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

PROPRIETARY FUNDSEnterprise Funds

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

Lincoln General Hospital, Inc.

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

NurseSource Home Care, Inc.

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

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
COMBINING BALANCE SHEET
APRIL 30, 1996
WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

LINCOLN
GENERAL
HOSPITAL, INC.

ASSETS

CURRENT ASSETS

Cash	\$ 603,976
Investment Securities	<u>3,044,789</u>
Total Cash & Cash Equivalents	3,648,765
Assets Whose Use is Limited and are Required for Current Liabilities	932,084
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1996 - \$3,542,900 & 1995 - \$3,188,100 Allowance/Medicare & Medicaid Adjustments 1996 - \$2,971,300 & 1995 - \$3,585,720	6,826,145
Other Accounts Receivable	67,670
Due from LGG, Inc.	102,000
Due from NurseSource Home Care, Inc.	172,483
Estimated Third-Party Payor Settlements	612,606
Inventories @ Cost (FIFO)	1,281,557
Prepaid Expenses	<u>320,690</u>
Total Current Assets	<u>13,964,000</u>

ASSETS WHOSE USE IS LIMITED

By Board for Capital Improvements

Investment Securities	7,173,116
Less Assets Whose Use is Limited and That are Required for Current Liabilities	(<u>932,084</u>)
Noncurrent Assets Whose Use is Limited	<u>6,241,032</u>

PROPERTY & EQUIPMENT, NET OF ACCUMULATED
DEPRECIATION (1996 - \$11,604,196;
1995 - \$9,953,443)

9,024,221

OTHER ASSETS

Prepaid Pension Costs	1,351,260
Organization Cost - Net	367,339
Deposits	<u> </u>
Total Other Assets	<u>1,718,599</u>

TOTAL ASSETS

\$30,947,852

(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1996	1995
\$ 14,843	\$ 618,819	\$ 798,350
<u>14,843</u>	<u>3,044,789</u>	<u>1,255,775</u>
	3,663,608	2,054,125
	932,084	838,219
116,319	6,942,464	7,383,070
	67,670	27,366
	102,000	122,911
	172,483	139,262
5,064	617,670	152,240
909	1,282,466	1,286,926
<u>137,135</u>	<u>320,690</u>	<u>194,030</u>
	14,101,135	12,198,149
	7,173,116	5,770,045
	(932,084)	(838,219)
	<u>6,241,032</u>	<u>4,931,826</u>
<u>5,181</u>	<u>9,029,402</u>	<u>9,474,279</u>
	1,351,260	1,311,302
7,739	375,078	10,641
<u>208</u>	<u>208</u>	<u>208</u>
<u>7,947</u>	<u>1,726,546</u>	<u>1,322,151</u>
<u>\$ 150,263</u>	<u>\$31,098,115</u>	<u>\$27,926,405</u>

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LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING BALANCE SHEET
 APRIL 30, 1996
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

LINCOLN
 GENERAL
 HOSPITAL, INC.

LIABILITIES & FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 1,342,713
Current Installments of Long-Term Debt	385,293
Current Installments of Capital Lease Obligations	39,716
Accrued Payroll & Related Liabilities	1,397,735
Other Accrued Liabilities	67,419
Estimated Third-Party Payor Settlements Due to Lincoln General Hospital, Inc.	
Due to Employee Group Health & Life Insurance Plan #501	118,214
Deferred Revenue	<u>2,925</u>
Total Current Liabilities	3,354,015

LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS	1,185,422
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CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS	<u>123,287</u>
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Total Liabilities	<u>4,662,724</u>
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FUND EQUITY

Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued & Outstanding	<u> </u>
Retained Earnings (Deficit)	
Reserved for Capital Improvements	6,241,032
Unreserved	<u>20,044,096</u>
Total Retained Earnings (Deficit)	<u>26,285,128</u>

TOTAL FUND EQUITY (DEFICIT)	26,285,128
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Commitments & Contingent Liabilities (Notes 2, 7, 8, 9, 10, 11, 12, 15, 18, 21 & 22)	<u> </u>
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TOTAL LIABILITIES & FUND EQUITY	<u>\$30,947,852</u>
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(Concluded)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1996	1995
\$ 4,919	\$ 1,347,632	\$ 1,146,098
	385,293	372,142
	39,716	19,352
32,098	1,429,833	1,325,256
	67,419	50,423
8,913	8,913	
172,483	172,483	139,262
	120,634	113,049
2,420	2,925	2,925
<u>220,833</u>	<u>3,574,848</u>	<u>3,168,507</u>
	1,185,422	1,570,715
	123,287	30,146
<u>220,833</u>	<u>4,883,557</u>	<u>4,769,368</u>
<u>56,530</u>	<u>56,530</u>	<u>56,530</u>
	6,241,032	4,931,827
(<u>127,100</u>)	<u>19,916,996</u>	<u>18,168,680</u>
(<u>127,100</u>)	<u>26,158,028</u>	<u>23,100,507</u>
(70,570)	26,214,558	23,157,037
<u>\$ 150,263</u>	<u>\$31,098,115</u>	<u>\$27,926,405</u>

LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING STATEMENT OF REVENUES,
 EXPENSES, & CHANGES IN RETAINED EARNINGS
 YEAR ENDED APRIL 30, 1996
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

	<u>LINCOLN GENERAL HOSPITAL, INC.</u>
<u>OPERATING REVENUES</u>	
Net Patient Service Revenues	\$37,224,189
Other Operating Revenues	<u>566,821</u>
Total Operating Revenues	<u>37,791,010</u>
<u>OPERATING EXPENSES</u>	
Salaries	14,230,727
Employee Benefits	1,525,788
Drugs, Food & Supplies	6,957,530
Outside Services & Expense	1,034,969
Professional Fees	1,417,686
Leases & Rentals	1,242,277
Equip Service Contracts/Repair	1,001,565
Utilities	649,529
Telephone	73,093
Legal, Audit & Consulting	183,194
Insurance	628,753
Taxes	1,050,042
Other Expense	632,798
Provision for Bad Debts	2,572,286
Depreciation	<u>1,800,186</u>
Total Operating Expenses	<u>35,000,423</u>
Income (Loss) from Operations	2,790,587
Nonoperating Revenues (Expenses)	<u>299,195</u>
NET INCOME (LOSS)	3,089,782
(Increase) in Retained Earnings	
Reserved for Capital Improvements	(<u>1,309,206</u>)
Net Change in Unreserved Retained Earnings for the Year	1,780,576
RETAINED EARNINGS (DEFICIT)-UNRESERVED, BEGINNING	<u>18,263,520</u>
RETAINED EARNINGS (DEFICIT)-UNRESERVED, ENDING	<u>\$20,044,096</u>

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1 9 9 6	1 9 9 5
\$ 569,984	\$37,794,173	\$36,506,395
	566,821	567,657
<u>569,984</u>	<u>38,360,994</u>	<u>37,074,052</u>
348,462	14,579,189	14,288,688
26,236	1,552,024	1,486,304
44,173	7,001,703	6,466,676
12,455	1,047,424	1,229,115
	1,417,686	1,606,646
16,138	1,258,415	1,320,654
1,381	1,002,946	865,795
3,103	652,632	620,689
5,556	78,649	68,453
32,094	215,288	190,745
4,711	633,464	596,540
30,374	1,080,416	1,096,184
74,591	707,389	557,341
1,800	2,574,086	2,143,792
<u>1,170</u>	<u>1,801,356</u>	<u>1,641,388</u>
<u>602,244</u>	<u>35,602,667</u>	<u>34,179,010</u>
(32,260)	2,758,327	2,895,042
	299,195	(273,404)
(32,260)	3,057,522	2,621,638
	(1,309,206)	(1,617,551)
(32,260)	1,748,316	1,004,087
(94,840)	18,168,680	17,164,593
<u>(\$ 127,100)</u>	<u>\$19,916,996</u>	<u>\$18,168,680</u>

LINCOLN GENERAL HOSPITAL, INC.
 ENTERPRISE FUND
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED APRIL 30, 1996
 WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

LINCOLN
 GENERAL
HOSPITAL, INC.

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss)	\$ <u>3,089,782</u>
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	1,910,745
Amortization/Organization Cost	
Provision for Bad Debts	2,572,286
Loss on Disposal of Equipment	115,936
Changes in Assets & Liabilities:	
<u>(Increase) Decrease/Assets</u>	
Patient Accounts Receivable	(2,087,061)
Accounts Receivable Other	(39,220)
Third-Party Payor Settlements	(476,604)
Accrued Interest LGG, Inc. Note	7,861
Inventories	3,399
Prepaid Expenses	(126,660)
Prepaid Pension Costs	(39,958)
<u>Increase (Decrease)/Liabilities</u>	
Accounts Payable	138,793
Accrued Payroll & Related Liabilities	94,388
Other Accrued Liabilities	16,996
Due to Employee Group Health & Life Insurance Plan #501	<u>6,530</u>
Total Adjustments	<u>2,097,431</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>5,187,213</u>

(Continued)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	1 9 9 6	1 9 9 5
(\$ 32,260)	\$ 3,057,522	\$ 2,621,638
1,170	1,911,915	2,272,352
2,902	2,902	2,902
1,800	2,574,086	2,143,792
	115,936	19,698
(47,503)	(2,134,564)	(4,478,348)
	(39,220)	(24,219)
20,087	(456,517)	440,486
	7,861	(5,555)
1,061	4,460	(120,351)
	(126,660)	71,151
	(39,958)	(9,187)
2,391	141,184	66,081
10,189	104,577	176,692
	16,996	4,686
<u>1,055</u>	<u>7,585</u>	<u>2,730</u>
(<u>6,848</u>)	<u>2,090,583</u>	<u>562,910</u>
(<u>39,108</u>)	<u>5,148,105</u>	<u>3,184,548</u>

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1996
WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

	<u>LINCOLN GENERAL HOSPITAL, INC.</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Collection on LGG, Inc. Note	\$ 13,050
Loan to NurseSource Home Care, Inc.	(33,221)
NET CASH (USED) BY INVESTING ACTIVITIES	(20,171)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>	
Loan from Lincoln General Hospital, Inc.	
Acquisition & Construction of Capital Assets	(1,376,098)
Proceeds from Sale of Equipment	938
(Increase) in Assets Whose Use is Limited	(1,403,071)
Organization Cost	(367,339)
Principal Payments on Long-Term Debt	(372,142)
Payments on Capital Lease Obligations	(33,960)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(3,551,672)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,615,370
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,033,395</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,648,765</u>
<u>Supplemental Disclosures of Cash Flow Information</u>	
Cash Paid During the Year For	
Interest	<u> </u>
<u>Supplemental Disclosure of Non Cash Investing and Financing Activity</u>	
Purchase of Equipment with Financing Obligations Capital Lease Obligation	\$ 147,465
Escrow Account Funded with Financing Obligation	<u> </u>
Total Amount Financed	<u>\$ 147,465</u>

(Concluded)

The accompanying notes are an integral part of this statement.

NURSESOURCE HOME CARE, INC.	TOTALS	
	April 30	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
	\$ 13,050	\$ 6,000
	(33,221)	(61,385)
	(20,171)	(55,385)
\$ 33,221	33,221	61,385
	(1,376,098)	(421,106)
	938	1,402
	(1,403,071)	(2,261,135)
	(367,339)	
	(372,142)	(94,875)
	(33,960)	(22,845)
<hr/>		
<u>33,221</u>	(<u>3,518,451</u>)	(<u>2,737,174</u>)
(5,887)	1,609,483	391,989
<u>20,730</u>	<u>2,054,125</u>	<u>1,662,136</u>
<u>\$ 14,843</u>	<u>\$ 3,663,608</u>	<u>\$ 2,054,125</u>
<u>\$ 16,076</u>	<u>\$ 136,157</u>	<u>\$ 56,547</u>
 		\$ 1,892,725
	\$ 147,465	
<hr/>		<u>128,535</u>
<u>\$ -0-</u>	<u>\$ 147,465</u>	<u>\$ 2,021,260</u>

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE BALANCE SHEETS
APRIL 30, 1996 & 1995

	<u>April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
ASSETS		
<u>CURRENT ASSETS</u>		
Cash	\$ 603,976	\$ 777,620
Investment Securities	<u>3,044,789</u>	<u>1,255,775</u>
Total Cash & Cash Equivalents	3,648,765	2,033,395
Assets Whose Use is Limited and are Required for Current Liabilities	932,084	838,219
Patient Accounts Receivable, less Allowance for Doubtful Accounts 1996 - \$3,538,000 & 1995 - \$3,185,000 Allowance/Medicare & Medicaid Adjustments 1996 - \$2,925,000 & 1995 - \$3,553,000	6,826,145	7,311,370
Other Accounts Receivable	67,670	28,450
Due from LGG, Inc.	102,000	122,911
Due from NurseSource Home Care, Inc.	172,483	139,262
Estimated Third-Party Payor Settlements	612,606	136,002
Inventories @ Cost (FIFO)	1,281,557	1,284,956
Prepaid Expenses	<u>320,690</u>	<u>194,030</u>
Total Current Assets	<u>13,964,000</u>	<u>12,088,595</u>
<u>ASSETS WHOSE USE IS LIMITED</u>		
<u>By Board for Capital Improvements</u>		
Investment Securities	7,173,116	5,770,045
Less Assets Whose Use is Limited and That are Required for Current Liabilities	(<u>932,084</u>)	(<u>838,219</u>)
Noncurrent Assets Whose Use is Limited	<u>6,241,032</u>	<u>4,931,826</u>
PROPERTY & EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (1996 - \$11,601,651; 1995 - \$9,952,068)	<u>9,024,221</u>	<u>9,467,928</u>
<u>OTHER ASSETS</u>		
Prepaid Pension Costs	1,351,260	1,311,302
Organization Cost	<u>367,339</u>	<u> </u>
Total Other Assets	<u>1,718,599</u>	<u>1,311,302</u>
TOTAL ASSETS	<u>\$30,947,852</u>	<u>\$27,799,651</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE BALANCE SHEETS
APRIL 30, 1996 & 1995

	April 30	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>LIABILITIES & FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 1,342,713	\$ 1,143,570
Current Installments of Long-Term Debt	385,293	372,142
Current Installments of Capital Lease Obligations	39,716	19,352
Accrued Payroll & Related Liabilities	1,397,735	1,303,347
Other Accrued Liabilities	67,419	50,423
Due to Employee Group Health & Life Insurance Plan #501	118,214	111,684
Deferred Revenue	<u>2,925</u>	<u>2,925</u>
Total Current Liabilities	3,354,015	3,003,443
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS	1,185,422	1,570,715
CAPITAL LEASE OBLIGATIONS EXCLUDING CURRENT INSTALLMENTS	<u>123,287</u>	<u>30,146</u>
Total Liabilities	<u>4,662,724</u>	<u>4,604,304</u>
<u>FUND EQUITY</u>		
Retained Earnings		
Reserved for Capital Improvements	6,241,032	4,931,827
Unreserved	<u>20,044,096</u>	<u>18,263,520</u>
Total Fund Equity	<u>26,285,128</u>	<u>23,195,347</u>
Commitments & Contingent Liabilities (Notes 2, 7, 8, 9, 10, 11, 12, 15, 18, 21 & 22)		
TOTAL LIABILITIES & FUND EQUITY	<u>\$30,947,852</u>	<u>\$27,799,651</u>

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES & CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>OPERATING REVENUES</u>		
Net Patient Service Revenues	\$37,224,189	\$36,212,394
Other Operating Revenues	<u>566,821</u>	<u>567,657</u>
Total Operating Revenues	<u>37,791,010</u>	<u>36,780,051</u>
<u>OPERATING EXPENSES</u>		
Salaries	14,230,727	14,122,142
Employee Benefits	1,525,788	1,476,665
Drugs, Food & Supplies	6,957,530	6,455,921
Outside Services & Expense	1,034,969	1,223,445
Professional Fees	1,417,686	1,599,806
Leases & Rentals	1,242,277	1,307,014
Equip Service Contracts/Repair	1,001,565	864,933
Utilities	649,529	618,064
Telephone	73,093	65,465
Legal, Audit, & Consulting	183,194	163,892
Insurance	628,753	596,540
Taxes	1,050,042	1,081,375
Other Expense	632,798	525,138
Provision for Bad Debts	2,572,286	2,143,792
Depreciation	<u>1,800,186</u>	<u>1,640,268</u>
Total Operating Expenses	<u>35,000,423</u>	<u>33,884,460</u>
Income from Operations	2,790,587	2,895,591
Nonoperating Revenues (Expenses)	<u>299,195</u>	(<u>273,404</u>)
NET INCOME	3,089,782	2,622,187
(Increase) in Retained Earnings		
Reserved for Capital Improvements	(<u>1,309,206</u>)	(<u>1,617,551</u>)
Net Change in Unreserved Retained Earnings for the Year	1,780,576	1,004,636
RETAINED EARNINGS - UNRESERVED, BEGINNING	<u>18,263,520</u>	<u>17,258,884</u>
RETAINED EARNINGS - UNRESERVED, ENDING	<u>\$20,044,096</u>	<u>\$18,263,520</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 3,089,782	\$ 2,622,187
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,910,745	2,271,382
Provision for Bad Debts	2,572,286	2,143,792
Loss on Disposal of Equipment	115,936	19,698
Changes in Assets & Liabilities:		
<u>(Increase) Decrease/Assets</u>		
Patient Accounts Receivable	(2,087,061)	(4,434,195)
Accounts Receivable Other	(39,220)	(24,219)
Third-Party Payor Settlements	(476,604)	456,725
Accrued Interest LGG, Inc. Note	7,861	(5,555)
Inventories	3,399	(118,714)
Prepaid Expenses	(126,660)	71,151
Prepaid Pension Costs	(39,958)	(9,187)
<u>Increase (Decrease)/Liabilities</u>		
Accounts Payable	138,793	64,970
Accrued Payroll & Related Liabilities	94,388	159,433
Other Accrued Liabilities	16,996	4,686
Due to Employee Group Health & Life Insurance Plan #501	6,530	1,959
Total Adjustments	<u>2,097,431</u>	<u>601,926</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,187,213</u>	<u>3,224,113</u>

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
LINCOLN GENERAL HOSPITAL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Collection on LGG, Inc. Note	\$ 13,050	\$ 6,000
Loan to NurseSource Home Care, Inc.	(33,221)	(61,385)
NET CASH (USED) BY INVESTING ACTIVITIES	(20,171)	(55,385)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Acquisition and Construction of Capital Assets	(1,376,098)	(419,072)
Proceeds from Sale of Equipment	938	1,402
(Increase) in Assets Whose Use is Limited	(1,403,071)	(2,261,135)
Principal Payments on Long-Term Debt	(372,142)	(94,875)
Payments on Capital Lease Obligations	(33,960)	(22,845)
Organization Cost	(367,339)	_____
NET CASH (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(3,551,672)	(2,796,525)
NET INCREASE IN CASH & CASH EQUIVALENTS	1,615,370	372,203
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,033,395</u>	<u>1,661,192</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,648,765</u>	<u>\$ 2,033,395</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid During the Year For		
Interest	\$ <u>120,081</u>	\$ <u>56,547</u>
<u>Supplemental Disclosure of Non Cash Investing and Financing Activities</u>		
Purchase of Equipment with Financing Obligation		\$ 1,892,725
Capital Lease Obligation	\$ 147,465	
Escrow Account Funded with Financing Obligation		<u>128,535</u>
Total Amount Financed	<u>\$ 147,465</u>	<u>\$ 2,021,260</u>

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
NURSESOURCE HOME CARE, INC.
COMPARATIVE BALANCE SHEETS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>April 30</u>	
	<u>1996</u>	<u>1995</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 14,843	\$ 20,730
Patient Accounts Receivable, Less Allowance for Medicare, Medicaid and Other Adjustments (1996 - \$51,200; 1995 - \$35,820)	116,319	70,616
Estimated Third-Party Payor Settlements	5,064	16,238
Inventories at Cost (FIFO)	<u>909</u>	<u>1,970</u>
Total Current Assets	137,135	109,554
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (1996 - \$2,545; 1995 - \$1,375)	5,181	6,351
<u>OTHER ASSETS</u>		
Organization Costs - Net	7,739	10,641
Deposits	<u>208</u>	<u>208</u>
TOTAL ASSETS	<u>\$ 150,263</u>	<u>\$ 126,754</u>
<u>LIABILITIES & FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 4,919	\$ 2,528
Accrued Payroll & Related Liabilities	32,098	21,909
Estimated Third-Party Payor Settlements	8,913	
Due to Employee Group Health & Life Insurance Plan #501	2,420	1,365
Due to Lincoln General Hospital, Inc.	<u>172,483</u>	<u>139,262</u>
Total Liabilities	<u>220,833</u>	<u>165,064</u>
<u>FUND EQUITY</u>		
Common Stock - No Par Value 1,000 Shares Authorized 300 Shares Issued and Outstanding	56,530	56,530
Retained Earnings (Deficit) Unreserved	(<u>127,100</u>)	(<u>94,840</u>)
Total Fund Equity (Deficit)	(<u>70,570</u>)	(<u>38,310</u>)
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 150,263</u>	<u>\$ 126,754</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
NURSESOURCE HOME CARE, INC.
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, &
CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>OPERATING REVENUES</u>		
Net Patient Service Revenues	\$ 569,984	\$ 294,001
<u>OPERATING EXPENSES</u>		
Salaries & Wages	348,462	166,546
Employee Benefits	26,236	9,639
Supplies	44,173	10,755
Outside Services & Expense	12,455	5,670
Professional Fees		6,840
Leases & Rentals	16,138	13,640
Equip Service Contracts/Repair	1,381	862
Utilities	3,103	2,625
Telephone	5,556	2,988
Legal, Audit & Consulting	32,094	26,853
Insurance	4,711	
Taxes	30,374	14,809
Other Expense	74,591	32,203
Provision for Bad Debts	1,800	
Depreciation	<u>1,170</u>	<u>1,120</u>
Total	<u>602,244</u>	<u>294,550</u>
NET INCOME (LOSS)	(32,260)	(549)
RETAINED EARNINGS (DEFICIT) - UNRESERVED, BEGINNING	(<u>94,840</u>)	(<u>94,291</u>)
RETAINED EARNINGS (DEFICIT) - UNRESERVED, ENDING	(<u>\$ 127,100</u>)	(<u>\$ 94,840</u>)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
ENTERPRISE FUND
NURSESOURCE HOME CARE, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1996</u>	<u>1995</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income (Loss)	(\$ 32,260)	(\$ 549)
Adjustments to Reconcile Net Income (Loss) to to Net Cash Provided by Operating Activities:		
Depreciation	1,170	1,120
Depreciation Adjustment		(150)
Provision for Bad Debts	1,800	
Amortization/Organization Cost	2,902	2,902
Changes in Assets & Liabilities:		
(Increase) in Patient Accounts Receivable	(47,503)	(44,153)
Decrease (Increase) in Third-Party Payor Settlements	20,087	(16,239)
Decrease (Increase) in Inventories	1,061	(1,637)
Increase in Accounts Payable	2,391	1,111
Increase in Accrued Payroll & Related Liabilities	10,189	17,259
Increase in due to Employee Group Health & Life Insurance Plan #501	1,055	771
Total Adjustments	(6,848)	(39,016)
NET CASH (USED) BY OPERATING ACTIVITIES	(39,108)	(39,565)
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Loan from Lincoln General Hospital, Inc.	33,221	61,385
Acquisition of Capital Assets		(2,034)
NET CASH PROVIDED BY CAPITAL & RELATED FINANCING ACTIVITIES	33,221	59,351
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(5,887)	19,786
CASH & CASH EQUIVALENTS-AT BEGINNING OF YEAR	20,730	944
CASH & CASH EQUIVALENTS - AT END OF YEAR	\$ 14,843	\$ 20,730
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for Interest	\$ 16,076	\$ -0-

The accompanying notes are an integral part of this statement.

PROPRIETARY FUNDSInternal Service Funds

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

Employee Group Health and Life Insurance Plan #501

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

LGG, Inc.

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

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
COMBINING BALANCE SHEET
APRIL 30, 1996
WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

	<u>LGG, Inc.</u>	<u>Employee Group Health & Life Ins Plan #501</u>	<u>TOTALS</u>	
			<u>April 30</u>	<u>April 30</u>
			<u>1996</u>	<u>1995</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 18,374	\$ 69,678	\$ 88,052	\$ 326,622
Investment Management Account		632,385	632,385	599,533
Income Tax Claim	1,262		1,262	3,859
Prepaid Expenses	28,412		28,412	
Deferred Income Tax	2,490		2,490	1,115
Due from Other Funds		120,634	120,634	113,049
Total Current Assets	<u>50,538</u>	<u>822,697</u>	<u>873,235</u>	<u>1,044,178</u>
<u>INVESTMENTS</u>				
Investment in Partnership	325,068		325,068	294,620
Investment in NurseSource	81,050		81,050	81,050
Total Investments	<u>406,118</u>		<u>406,118</u>	<u>375,670</u>
TOTAL ASSETS	<u>\$ 456,656</u>	<u>\$ 822,697</u>	<u>\$1,279,353</u>	<u>\$1,419,848</u>
<u>LIABILITIES & FUND EQUITY</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable				\$ 3,400
Accrued Liabilities				14,997
Due to Other Funds	\$ 102,000		\$ 102,000	122,911
Health Claims Payable		\$ 30,327	30,327	219,178
Estimated Health Claims Incurred but not Reported		371,046	371,046	140,022
Total Liabilities	102,000	401,373	503,373	500,508
<u>FUND EQUITY</u>				
Retained Earnings				
Reserved for Health Claims		421,324	421,324	642,305
Unreserved	354,656		354,656	277,035
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 456,656</u>	<u>\$ 822,697</u>	<u>\$1,279,353</u>	<u>\$1,419,848</u>

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, 1996
WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

	<u>LGG, Inc.</u>	<u>Employee Group Health & Life Ins Plan #501</u>	<u>TOTALS</u>	
			<u>April 30</u>	
			<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>OPERATING REVENUES</u>				
Income from Partnership	\$ 140,448		\$ 140,448	\$ 121,264
Employer Contributions		\$1,180,317	1,180,317	1,107,747
Employee Contributions		236,714	236,714	230,051
Refunds on Claims Paid		5,467	5,467	1,720
Specific Loss Reimbursement		694,140	694,140	38,221
Aetna Reimbursement				15,357
TOTAL OPERATING REVENUES	140,448	2,116,638	2,257,086	1,514,360
OPERATING EXPENSES	28,280	2,374,202	2,402,482	1,413,067
OPERATING INCOME (LOSS)	112,168	(257,564)	(145,396)	101,293
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income		36,583	36,583	30,986
Contribution	(10,000)		(10,000)	(10,000)
INCOME (LOSS) BEFORE INCOME TAX	102,168	(220,981)	(118,813)	122,279
FEDERAL & LA INCOME TAX	24,547		24,547	35,052
NET INCOME (LOSS)	77,621	(220,981)	(143,360)	87,227
<u>INCREASE (DECREASE) IN RETAINED EARNINGS</u>				
Reserved		(220,981)	(220,981)	35,218
Unreserved	77,621		77,621	52,009
<u>RETAINED EARNINGS - BEGINNING</u>				
Reserved		642,305	642,305	607,087
Unreserved	277,035		277,035	225,026
<u>RETAINED EARNINGS - ENDING</u>				
Reserved		421,324	421,324	642,305
Unreserved	354,656		354,656	277,035
TOTAL RETAINED EARNINGS	\$ 354,656	\$ 421,324	\$ 775,980	\$ 919,340

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, 1996
WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

	Employee Group Health & Life Ins LGG, Inc. Plan #501	<u>TOTALS</u> <u>April 30</u>	
		1 9 9 6	1 9 9 5
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net Income (Loss)	\$ 77,621	(\$ 220,981)	(\$ 143,360) \$ 87,227
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Amortization of Organization Cost			6,428
Partnership Net Income (140,448)		(140,448)	(121,264)
Changes in Assets & Liabilities:			
<u>(Increase) Decrease/Assets</u>			
Accounts Receivable	2,597		2,597 1,500
Due from Other Funds		(7,585)	(7,585) (2,730)
Prepaid Expenses (28,412)		(28,412)	(28,412) 9,703
Deferred Tax (1,375)		(1,375)	(1,375) 352
<u>Increase (Decrease)/Liabilities</u>			
Accounts Payable		(3,400)	(3,400) 3,400
Accrued Liabilities (22,858)		(22,858)	(22,858) 17,581
Health Claims Payable		(188,851)	(188,851) 104,527
Estimated Health Claims Incurred but not Reported		231,024	231,024 41,765
Total Adjustments	(190,496)	31,188	(159,308) 61,262
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(112,875)	(189,793)	(302,668) 148,489
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Distribution from Partnership	110,000		40,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	110,000		110,000 40,000

(Continued)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 1996
WITH COMPARATIVE TOTALS FOR APRIL 30, 1995

	Employee Group Health & Life Ins	<u>TOTALS</u>	
	Plan #501	<u>April 30</u>	
	<u>LGG, Inc.</u>	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>			
Payment on Note Payable	(13,050)	(13,050)	(6,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(13,050)	(13,050)	(6,000)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(15,925)	(189,793)	(205,718)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>34,299</u>	<u>891,856</u>	<u>926,155</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 18,374</u>	<u>\$ 702,063</u>	<u>\$ 720,437</u>
Cash paid during the year for Income Taxes	\$ 74,110	\$ -0-	\$ 74,110
Cash paid during the year for Interest	\$ 18,264	\$ -0-	\$ 18,264
		\$ 4,329	

(Concluded)

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
COMPARATIVE BALANCE SHEETS
APRIL 30, 1996 & 1995

	<u>April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
ASSETS		
<u>CURRENT ASSETS</u>		
Cash	\$ 18,374	\$ 34,299
Prepaid Federal Income Tax	24,719	
Prepaid Louisiana Income Tax	3,693	
Income Tax Claim	1,262	3,859
Deferred Income Tax	<u>2,490</u>	<u>1,115</u>
Total Current Assets	<u>50,538</u>	<u>39,273</u>
<u>INVESTMENTS</u>		
Investment in ROPTS Partnership	325,068	294,620
Investment in NurseSource Home Care, Inc.	<u>81,050</u>	<u>81,050</u>
Total Investments	<u>406,118</u>	<u>375,670</u>
TOTAL ASSETS	<u>\$ 456,656</u>	<u>\$ 414,943</u>
<u>LIABILITIES & FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accrued Liabilities		\$ 14,997
Due to Lincoln General Hospital, Inc.	<u>\$ 102,000</u>	<u>122,911</u>
Total Liabilities	102,000	137,908
<u>FUND EQUITY</u>		
Retained Earnings - Unreserved	<u>354,656</u>	<u>277,035</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 456,656</u>	<u>\$ 414,943</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES, & CHANGES IN RETAINED EARNINGS
YEARS ENDED APRIL 30, 1996 & 1995

	Year Ended April 30	
	1 9 9 6	1 9 9 5
REVENUES		
Income from Partnership	\$ 140,448	\$ 121,264
OPERATING EXPENSES		
Accounting	4,000	1,500
Amortization/Organization Cost		6,428
Interest	10,403	9,884
Legal Fees	900	1,170
Management Fees	11,000	4,000
Miscellaneous		314
Taxes	1,977	10
Travel		897
Total Operating Expense	28,280	24,203
Income from Operations	112,168	97,061
NONOPERATING EXPENSE		
Contribution	10,000	10,000
INCOME BEFORE INCOME TAX	102,168	87,061
INCOME TAXES (BENEFIT)		
Current Year	13,588	34,700
Prior Years	12,334	
Deferred Tax (Benefit)	(1,375)	352
Total Income Tax	24,547	35,052
NET INCOME	77,621	52,009
RETAINED EARNINGS - UNRESERVED, BEGINNING	277,035	225,026
RETAINED EARNINGS - UNRESERVED, ENDING	\$ 354,656	\$ 277,035

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
LGG, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 77,621	\$ 52,009
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization of Organization Costs		6,428
Partnership Net Income	(140,448)	(121,264)
Changes in Assets & Liabilities:		
Decrease in Accounts Receivable	2,597	1,500
Decrease (Increase) in Prepaid Federal & LA Income Tax	(28,412)	9,703
Decrease (Increase) in Deferred Tax	(1,375)	352
Increase (Decrease) in Accrued Liabilities	(22,858)	17,581
Total Adjustments	(190,496)	(85,700)
NET CASH (USED) BY OPERATING ACTIVITIES	(112,875)	(33,691)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Distribution from Partnership	110,000	40,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	110,000	40,000
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Payment on Note Payable	(13,050)	(6,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(13,050)	(6,000)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(15,925)	309
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	34,299	33,990
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 18,374	\$ 34,299
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for Income Taxes	\$ 74,110	\$ 12,971
Cash paid during the year for Interest	\$ 18,264	\$ 4,329

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, 1996 & 1995

	<u>April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 69,678	\$ 292,323
Investment Management Account	632,385	599,533
Due from Lincoln General Hospital, Inc.	118,214	111,684
Due from NurseSource Home Care, Inc.	<u>2,420</u>	<u>1,365</u>
TOTAL ASSETS	<u>\$ 822,697</u>	<u>\$ 1,004,905</u>
<u>LIABILITIES & FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable		\$ 3,400
Health Claims Payable	\$ 30,327	219,178
Estimated Health Claims Incurred But Not Reported	<u>371,046</u>	<u>140,022</u>
TOTAL LIABILITIES	401,373	362,600
<u>FUND EQUITY</u>		
Retained Earnings Reserved for Health Claims	<u>421,324</u>	<u>642,305</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 822,697</u>	<u>\$ 1,004,905</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, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>OPERATING REVENUES</u>		
Employer Contributions	\$ 1,180,317	\$ 1,107,747
Employee Contributions	236,714	230,051
Refunds on Claims Paid	5,467	1,720
Specific Loss Reimbursement	694,140	38,221
Aetna Reimbursement	_____	15,357
Total Operating Revenues	<u>2,116,638</u>	<u>1,393,096</u>
<u>OPERATING EXPENSES</u>		
<u>Payments for</u>		
Health Claims	2,141,843	1,076,071
Excess Risk Insurance Premiums	107,515	87,212
Life Insurance Premiums	26,236	24,217
Accidental Insurance Premiums	4,663	2,566
<u>Additions to Liabilities For</u>		
Health Claims	42,173	146,292
<u>Administrative Expenses</u>		
Administrative Fees	41,741	39,697
Precertification Fees	7,951	7,561
Other Administrative Expenses	2,080	5,248
Total Operating Expenses	<u>2,374,202</u>	<u>1,388,864</u>
OPERATING INCOME	(257,564)	4,232
<u>NONOPERATING REVENUES</u>		
Interest Income	36,583	30,986
NET INCOME (LOSS)	(220,981)	35,218
RETAINED EARNINGS - RESERVED, BEGINNING	642,305	607,087
RETAINED EARNINGS - RESERVED, ENDING	<u>\$ 421,324</u>	<u>\$ 642,305</u>

The accompanying notes are an integral part of this statement.

LINCOLN GENERAL HOSPITAL, INC.
INTERNAL SERVICE FUND
EMPLOYEE GROUP HEALTH & LIFE INSURANCE PLAN #501
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 1996 & 1995

	<u>Year Ended April 30</u>	
	<u>1 9 9 6</u>	<u>1 9 9 5</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income (Loss)	(\$ 220,981)	\$ 35,218
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Changes in Assets & Liabilities:		
(Increase) in Due from Lincoln General Hospital, Inc. for Plan Contributions	(6,530)	(1,959)
(Increase) in Due from NurseSource Home Care, Inc. for Plan Contributions	(1,055)	(771)
(Decrease) Increase in Accounts Payable	(3,400)	3,400
(Decrease) Increase in Health Claims Payable	(188,851)	104,527
Increase in Estimated Health Claims Incurred but not Reported	<u>231,024</u>	<u>41,765</u>
Total Adjustments	<u>31,188</u>	<u>146,962</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(<u>189,793</u>)	<u>182,180</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(189,793)	182,180
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>891,856</u>	<u>709,676</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 702,063</u>	<u>\$ 891,856</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

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, 1996 & 1995

	<u>April 30</u>	
	<u>1996</u>	<u>1995</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 3,806	\$ 7,727
Investment Securities	<u>246,530</u>	<u>238,961</u>
TOTAL ASSETS	<u>\$ 250,336</u>	<u>\$ 246,688</u>
 <u>FUND BALANCE</u>		
Reserved for Scholarships	<u>\$ 250,336</u>	<u>\$ 246,688</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

116 PINECREST DRIVE
RUSTON, LA 71270

MEMBER
AMERICAN INSTITUTE OF CPA'S
SOCIETY OF LOUISIANA CPA'S

TELEPHONE
318-255-0821

**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, 1996, and have issued my report thereon dated July 19, 1996.

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

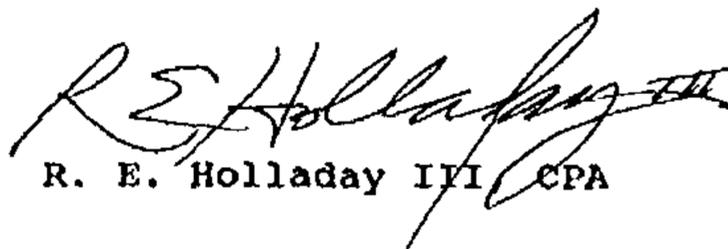
The management of Lincoln General Hospital, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies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

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

In planning and performing my audit of the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., for the year ended April 30, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and the combining and individual fund financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

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


R. E. Holladay III, CPA

Ruston, Louisiana
July 19, 1996

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

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

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

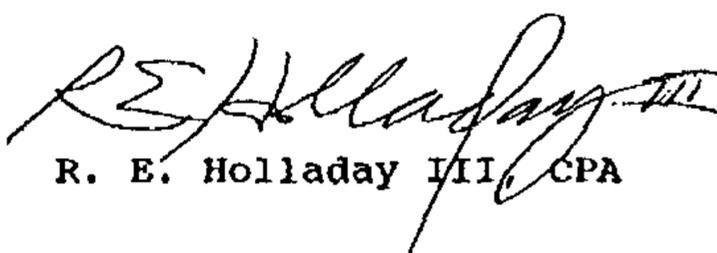
I have audited the financial statements and the combining and individual fund financial statements of Lincoln General Hospital, Inc., as of and for the year ended April 30, 1996, and have issued my report thereon dated July 19, 1996.

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

Compliance with laws, regulations and contracts, applicable to Lincoln General Hospital, Inc., is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Hospital's compliance with certain provisions of laws, regulations and contracts. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

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


R. E. Holladay III, CPA

Ruston, Louisiana
July 19, 1996