



Building Upon A Healthy Foundation

Dear Neighbor,

As we end our year and look to the next, we want to share with you the positive steps we've taken to help strengthen and improve healthcare in our community. We feel the health of a community is the foundation of its future. That's why we take our role as the community's healthcare provider seriously. We've made some tremendous strides in making the medical care you need available right here at home. In the past year, we cared for approximately 65,000 outpatients and 4,017 adult, children and newborn patients. Perhaps we cared for you or a member of your family. We hope you'll take a minute to examine our progress as we look to a new year of serving our community.

Pete Acker

Pete Acker
President & Chief Executive Officer
Lincoln Medical Center

Financial Strength & Stability

Lincoln Health System had a \$718,000 surplus for its fiscal year ending September 30, 2001. This positive result shows a dramatic improvement over the operating loss incurred the previous year. In comparison to years past, we have dramatically improved our balance sheet through a 45% reduction in our accounts payable balances and a 79% increase in our cash reserves. To maintain the quality and accuracy of financial reports, the medical center approved a three-year agreement with Arthur Andersen & Co., a nationally-renowned accounting firm, to perform an audit of our consolidated financial statements.

A Supportive Affiliation

Part of Lincoln Medical Center's financial turnaround is due to its affiliation with Carolinas HealthCare System (CHS) which helped the medical center reduce operating expenses by 7 percent - nearly \$2.9 million. Now in the second year of a management services agreement with CHS, the affiliation allows the medical center to stabilize its financial health and expand services to patients.

Quality Improvement

In 2000, Lincoln Health System once again received accreditation by the Joint Commission on Accreditation of Healthcare Organizations. This survey is conducted every three years and confirms that we provide high quality patient care.

System Upgrades

An upgrade of computer systems hardware and equipment helped improve staff productivity and efficiency. Outside transcription services were eliminated for all non-emergency department patients. A new transcription reporting system for the Imaging Department now allows radiologists to turn around reports within 24 hours. New instrumentation was also added to the Surgical Department.

Medical Staff

The medical staff at Lincoln Medical Center continues to expand. A pediatrician, pulmonologist, family practitioner and three internists were added to the staff. A new neurology practice was recruited, and Southeast Anesthesiology Consultants, PA, joined the staff to begin a three-year agreement to provide services to the hospital. First Foundation Clinic of the Carolinas, a full-time internal medicine practice, opened in the fall, and a full-time family practitioner and a physician's assistant were recruited and opened an office in East Lincoln.



New Services

Lincoln Sleep Services opened in July 2001. Southeast Pain Care also opened in July along with Southeast Anesthesiology Consultants, PA. With the addition of another dentist to our staff, we now have a comprehensive pediatric dental program to serve the needs of our local Smart Start program.

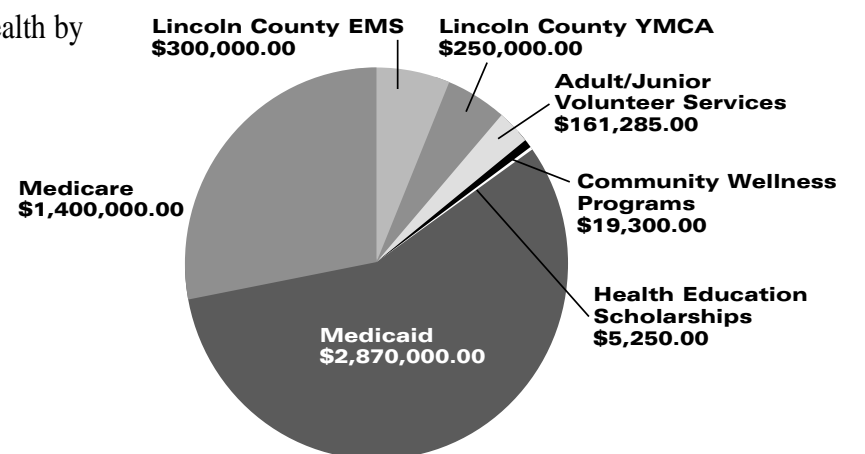
Nursing and Patient Care Services

Lincoln Medical Center successfully completed the North Carolina Board of Nursing Clinical Site Survey. The medical center's nursing management structure was redefined to help unit nurse managers operate as clinicians and managers which helped increase direct patient care hours. Lincoln Medical Center was one of seven hospitals in North Carolina to receive a \$5000 nurse retention grant. The medical center received certification of its diabetes education program allowing it to expand its care to patients to a larger geographic area.

Community Outreach

Lincoln Medical Center helps support our community health by offering financial support to such organizations as:

| | |
|-------------------------------------|--------------------|
| Lincoln County EMS | \$ 300,000 |
| Lincoln County Family YMCA | \$ 250,000 |
| Adult and Junior Volunteer Services | \$ 161,285 |
| Health Education Scholarships | \$ 5,250 |
| Community Wellness Programs | \$ 19,300 |
| Medicaid (Unreimbursed costs) | \$2,870,000 |
| Medicare (Unreimbursed costs) | \$1,400,000 |
| TOTAL | \$5,005,835 |



Looking To The Future

Although we take pride in our accomplishments, we continually look to the future for challenges and opportunities to help us improve the health of our community. We hope you'll join us in celebrating the milestones and progress of the past year. We look forward to working together to strengthen our community's health now and in the future.

Here At Home...
Here For Life



Carolinas HealthCare System





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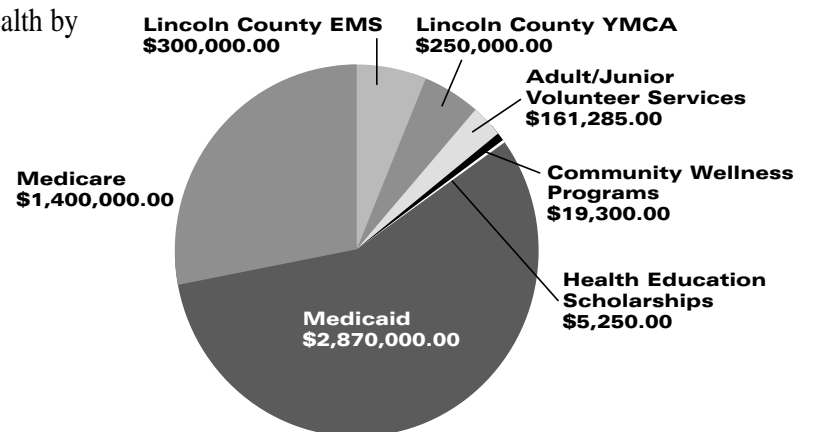
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