

LINCOLN HEALTH FOUNDATION, INC

**Financial Statements
For the Years Ended September 30, 2016 and 2015**

LINCOLN HEALTH FOUNDATION, INC.

For the Years Ended September 30, 2016 and 2015

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(A PROFESSIONAL ACCOUNTING CORPORATION)
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Lincoln Health Foundation, Inc.
305 South Vienna Street
Ruston, Louisiana 71270

We have reviewed the accompanying financial statements of the **Lincoln Health Foundation, Inc.** (a non-profit organization, the Foundation), which comprise the statements of assets, liabilities, and net assets-modified cash basis as of September 30, 2016, and the related statements of revenues, expenses and other changes in net assets-modified cash basis and cash flows-modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1.A.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Board of Directors
Lincoln Health Foundation, Inc.
Ruston, Louisiana**

Accountant's Conclusion

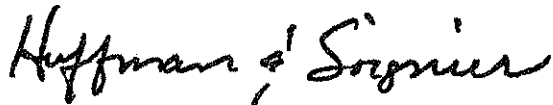
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting as described in Note 1.A.

Prior Period Financial Statements

The September 30, 2015 financial statements presented on the modified cash basis of accounting were audited by us and we expressed an unmodified opinion on them in our report dated February 24, 2016. We have not performed any auditing procedures since that date.

Basis of Accounting

We draw attention to Note 1.A. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



(A Professional Accounting Corporation)

February 9, 2017

BASIC FINANCIAL STATEMENTS

LINCOLN HEALTH FOUNDATION, INC.

**Statements of Assets, Liabilities, and Net Assets -
Modified Cash Basis**

September 30, 2016 and 2015

	<u>2016</u> <u>(Reviewed)</u>	<u>2015</u> <u>(Audited)</u>
Assets		
Cash and cash equivalents	\$ 343,547	\$ 38,642
Restricted assets-cash	423	19
Investments	26,405,538	26,039,561
Restricted assets-investments	<u>374,476</u>	<u>375,584</u>
Total assets	<u>\$ 27,123,984</u>	<u>\$ 26,453,806</u>
Liabilities		
	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets		
Unrestricted	26,749,085	26,078,203
Temporarily restricted	<u>374,899</u>	<u>375,603</u>
Total net assets	<u>27,123,984</u>	<u>26,453,806</u>
Total liabilities and net assets	<u>\$ 27,123,984</u>	<u>\$ 26,453,806</u>

See accompanying notes and independent accountant's review report.

LINCOLN HEALTH FOUNDATION, INC.

**Statements of Revenues, Expenses and Other Changes In Net Assets -
Modified Cash Basis**

For the Years Ended September 30, 2016 and 2015

	2016 (Reviewed)		
	Unrestricted	Restricted	Total
Revenues, gains, and other support			
Investment income	\$ 620,799	\$ 36,015	\$ 656,814
Net realized gains	5,649	-	5,649
Net unrealized gains (losses)	1,587,913	-	1,587,913
Contributions	-	170,049	170,049
Total revenues, gains and other support	2,214,361	206,064	2,420,425
Net assets released from restrictions	206,768	(206,768)	-
Total revenues, gains and other support	2,421,129	(704)	2,420,425
Program expenses			
Grants	1,382,649	-	1,382,649
Total program expenses	1,382,649	-	1,382,649
Administrative expenses			
Investment fees	183,557	-	183,557
Administration	184,041	-	184,041
Total administrative expenses	367,598	-	367,598
Change in net assets	670,882	(704)	670,178
Net assets, beginning of year	26,078,203	375,603	26,453,806
Net assets, end of year	\$ 26,749,085	\$ 374,899	\$ 27,123,984

See accompanying notes and independent accountant's review report.

2015
(Audited)

<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
\$ 715,671	\$ 24,518	\$ 740,189
565,954	-	565,954
(1,453,921)	-	(1,453,921)
-	162,997	162,997
(172,296)	187,515	15,219
366,920	(366,920)	-
194,624	(179,405)	15,219
1,453,866	-	1,453,866
1,453,866	-	1,453,866
192,407	-	192,407
157,108	-	157,108
349,515	-	349,515
(1,608,757)	(179,405)	(1,788,162)
27,686,960	555,008	28,241,968
\$ 26,078,203	\$ 375,603	\$ 26,453,806

LINCOLN HEALTH FOUNDATION, INC.

**Statements of Cash Flows -
Modified Cash Basis**

For the Years Ended September 30, 2016 and 2015

	2016	2015
	(Reviewed)	(Audited)
Cash flows from operating activities		
Change in net assets	\$ 670,178	\$ (1,788,162)
Adjustments to reconcile change in net assets to net cash (used) by operating activities		
Net realized and unrealized (gains) losses	(1,593,562)	887,967
Net cash (used) by operating activities	<u>(923,384)</u>	<u>(900,195)</u>
Cash flows from investing activities		
Purchases of investments	(5,570,300)	(11,177,081)
Proceeds from sale of investments	6,798,993	11,849,036
Net cash provided by investing activities	<u>1,228,693</u>	<u>671,955</u>
Net increase (decrease) in cash and cash equivalents	305,309	(228,240)
Cash and cash equivalents at beginning of the year	<u>38,661</u>	<u>266,901</u>
Cash and cash equivalents at end of the year	<u>\$ 343,970</u>	<u>\$ 38,661</u>
Shown on the accompanying statements of assets, liabilities and net assets-modified cash basis		
Cash and cash equivalents	\$ 343,547	\$ 38,642
Restricted assets-cash	<u>423</u>	<u>19</u>
Total	<u>\$ 343,970</u>	<u>\$ 38,661</u>

See accompanying notes and independent accountant's review report.

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2016 (Reviewed) and 2015 (Audited)

Introduction

On July 30, 1996, the Lincoln Health Foundation, Inc. (the "Foundation"), a Louisiana nonprofit corporation, was organized exclusively to support and benefit Lincoln Health System, Inc. d.b.a. Lincoln General Hospital (the "System") in Ruston, Louisiana. The System is 69% owned by the Foundation and 31% owned by St. Francis Medical Center and Willis-Knighton Medical Center, which are tax-exempt organizations.

On March 31, 2007, the System entered into a purchase agreement with Community Health Systems, Inc. ("Purchaser") to sell the hospital operations and various other assets for approximately \$36,000,000, less adjustments per the agreement. After the sale of hospital operations, the System's main purpose has become to manage the remaining investments until the System's remaining assets can be liquidated to the remaining owners and to help support healthcare services in the local community.

In accordance with the purchase agreement, the Purchaser deposited a portion of the purchase price (\$18,000,000) into an interest-bearing escrow account for three years to pay any unforeseen liabilities of the System. In March 2009, the Foundation received the first distribution from the sale of \$9,666,466, which consisted of \$350,900 in cash and \$9,315,566 in investments. In April 2010, the Foundation received a cash distribution of \$12,600,000 from the escrow account. The settlement date of any potential future receipts has not yet been determined as the Foundation's remaining \$602,008 investment at September 30, 2010 in the System is being held for any potential future liabilities of the System (except as noted below).

The Foundation received a distribution of \$715,293 in February 2011. Of this amount, \$602,008 reduced the investment in the System to \$0 and \$113,285 was recognized as revenue. The System still maintains a contingency fund of \$425,000 of which \$294,231 represents the Foundation's portion. As it is unknown if the Foundation will ever receive these funds, no investment has been recorded for this amount.

The purpose of the Foundation is to use the sale proceeds and liquidating distributions to improve healthcare and quality of life for residents of Lincoln Parish in Louisiana.

Note 1 - Summary of Significant Accounting Policies

A. Basis of Accounting

The Foundation's financial statements are presented on the modified cash basis of accounting. Accordingly, these statements reflect revenues when received rather than when earned and expenses are recognized when paid rather than when

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incurred with the exception of investments which are recorded at fair market value resulting in unrealized gains and losses.

B. Cash and Cash Equivalents

It is the Foundation's policy to define all highly liquid investments with an initial maturity of three months or less as "cash and cash equivalents" with the exception of cash in investment accounts which is classified as "investments".

C. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Gains or losses on the sale of securities are recognized on a specific-identification method.

The Foundation maintains three unrestricted investment accounts (Argent, JPMorgan Chase, and Regions) and one temporarily restricted investment account (Argent). Investment performance of each account is reviewed at each Board meeting. Each of these accounts has the following characteristics except where differentiated:

Credit risk - The Foundation minimizes credit risk, which is the risk due to the failure of the security issuer or backer, and concentration of credit risk by investing in the following instruments in accordance with specific asset allocation parameters:

1. Stocks - The portfolio is well diversified to avoid undue exposure to any single economic sector, industry group or individual security. Common and convertible stock is of good quality and listed either on the New York Stock Exchange or American Stock Exchange or traded in the over-the-counter market. The requirement is such that stocks will have adequate market liquidity relative to the size of the investment. No more than 5% of the investment portfolio is invested in the security of one issuing corporation. No more than 10% of the market value of the investment portfolio is invested in one industry group. Investment in any corporation will not exceed 5% of the outstanding shares of the corporation.
2. Fixed income investments - The portfolio maintains an average credit quality of A or better. Individual corporate bonds at the time of purchase must be of

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investment grade quality or better. No limit is placed on investments in U.S. government guaranteed obligations. Any investment in any one issue excluding U.S. government guaranteed obligations should not exceed 5% of the total fixed income portfolio.

3. Short-term investments -
 - a. Commercial paper - quality must be not less than A-1 as rated by Standard & Poor. Investment in any one issue does not exceed 5% of the investment portfolio of the Foundation.
 - b. Certificates of deposit – must be fully insured by the Federal Deposit Insurance Corporation or must be collateralized by qualifying investment securities. The underlying collateral of collateralized certificates of deposit is subject to the 5% limitation.

D. Property and Equipment

The Foundation capitalizes the cost of property and equipment in excess of \$1,500 with a useful life of more than one year. Improvements are capitalized when they extend an asset's useful life or increase its value. Otherwise, they are charged to operations. Donations of property and equipment are recorded at their fair value at the date of the donation. The Foundation uses the straight-line method of depreciation, with estimated useful lives of five to ten years for furniture, fixtures and equipment. The Foundation sold all of its assets and any required assets are provided in conjunction with the lease in Note 4.

E. Grants Payable

The Foundation awards grants annually to entities that promote the health and enhance the quality of life of all residents within Lincoln Parish, Louisiana only based on an application process. When payments toward the grants are approved by the Board, they are disbursed according to the terms of the grant agreement at a certain point in the future. These payments often are made within the same fiscal month as the approval; however, depending on the size of the grant, payments are also made to grantees in installments based upon an agreed upon schedule between the Foundation and the grantee. All grant payments are made within twelve months of being approved by the Board.

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F. Net Assets

The Foundation reports information regarding its net asset position on the modified cash basis according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. As of September 30, 2016 and 2015, there were no permanently restricted net assets.

G. Contributions

The Foundation records contributions and grants when received. All contributions are considered to be available for unrestricted use unless specifically restricted by a donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as released from restrictions. The Foundations policy is to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

H. Advertising Costs

Advertising costs are expensed when paid. Such costs amounted to \$8,117 and \$4,017 for the fiscal years ended September 30, 2016 and 2015, respectively, and are included in administration expenses.

I. Income Taxes

The Foundation is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC). However, since the Foundation is a private foundation a form 990-PF is filed annually and the Foundation pays an excise tax based on net investment income. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any

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penalties related to late filing or other requirements would be recognized as penalties expense in the foundation's accounting records. Excise taxes in the amounts of \$12,038 and \$11,693 were paid for the years ended September 30, 2016 and 2015, respectively.

The Foundation's federal form 990-PF for the tax years ending September 30, 2013 and after remain subject to examination by the Internal Revenue Service.

J. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect financial statement amounts and disclosures. Actual results could differ from those estimates.

Note 2 - Investments

Investments are reported in these financial statements at fair market value.

	<u>Market</u>	<u>Cost</u>	<u>Unrealized Market Gain (Loss)</u>
For the year ended September 30, 2016			
Money market / cash	\$ 1,677,133	\$ 1,677,133	\$ -
Domestic equity	14,131,368	10,768,797	3,362,572
International equity	1,057,082	1,025,719	31,363
Domestic fixed income	9,914,431	9,807,498	106,933
Total	<u>\$ 26,780,014</u>	<u>\$ 23,279,146</u>	<u>\$ 3,500,868</u>
Restricted assets - investments	\$ 374,476		
Investments	<u>26,405,538</u>		
Total	<u>\$ 26,780,014</u>		
For the year ended September 30, 2015			
Money market / cash	\$ 1,445,565	\$ 1,445,565	\$ -
Domestic equity	13,104,553	11,120,828	1,983,725
International equity	945,083	1,031,163	(86,080)
Domestic fixed income	10,919,944	10,993,096	(73,153)
Total	<u>\$ 26,415,145</u>	<u>\$ 24,590,652</u>	<u>\$ 1,824,492</u>
Restricted assets - investments	\$ 375,584		
Investments	<u>26,039,561</u>		
Total	<u>\$ 26,415,145</u>		

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Note 3- Temporarily Restricted Funds

As of September 30, 2016 and 2015, temporarily restricted net assets consisted of \$423 and \$19, respectively, of funds received for the treatment of indigent patients and \$374,476 and \$375,584, respectively, for scholarships.

Note 4 - Contracts and Leases

The Foundation contracted all management services in a 2-year management service contract approved by the Board on September 22, 2015. The contracted services totaled \$93,706 for the each of the years ending September 30, 2016 and 2015. The Foundation also leases office space as part of the service contract. For each of the fiscal years ended September 30, 2016 and 2015, office space rental expense amounted to \$14,400. Beginning with the year ended September 30, 2015, the Foundation added to the management contract fixed monthly costs for copies, telephone and communications and computer and software. These totaled \$8,800 and \$7,600 for the years ended September 30, 2016 and 2015, respectively. In September 2015, the Board approved the extension of this contract for two years through September 30, 2017 under the same terms as the prior contract.

Note 5 - Concentrations

The Foundation maintains its cash balances in financial institutions in the United States. The cash balances (excluding those held with investments) are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Foundation exceeds the federally insured limits. The risk is mitigated by maintaining deposits in only well capitalized financial institutions. The Foundations cash balances were underinsured at September 30, 2016 by \$93,678 and fully insured at September 30, 2015.

Note 6 - Subsequent Event

Management has evaluated subsequent events through February 9, 2017, the date which the financial statements were available to be issued and noted no events occurring subsequent to the reporting period that need disclosure.