

LINCOLN HEALTH FOUNDATION, INC.

**Financial Statements
For the Years Ended September 30, 2013 and 2012**

LINCOLN HEALTH FOUNDATION, INC.

For the Year Ended September 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lincoln Health Foundation, Inc.
1809 Northpointe Lane, Ste 201
Ruston, Louisiana 71270

We have audited the accompanying financial statements of the **Lincoln Health Foundation** (a non-profit organization, the Foundation), which comprise the statements of financial position-modified cash basis as of September 30, 2013, and the related statements of activities-modified cash basis and cash flows-modified cash basis for the years then ended, and the related notes to the financial statements.

The financial statements-modified cash basis of the Foundation as of September 30, 2012, and for the year then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 24, 2013.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit

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

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

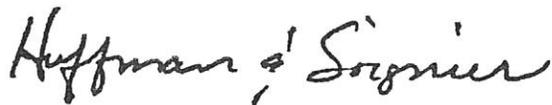
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Foundation as of September 30, 2013, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.A.

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)

May 30, 2014

BASIC FINANCIAL STATEMENTS

LINCOLN HEALTH FOUNDATION, INC.

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

September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 91,902	\$ 258,751
Restricted assets-cash	158,026	156,644
Investments	26,690,791	25,965,096
Restricted assets-investments	371,775	346,948
Property and equipment, net	<u>6,454</u>	<u>7,663</u>
Total assets	\$ <u>27,318,948</u>	\$ <u>26,735,102</u>
Liabilities		
	\$ -	\$ -
Net assets		
Unrestricted	26,789,147	26,231,510
Temporarily restricted	<u>529,801</u>	<u>503,592</u>
Total net assets	<u>27,318,948</u>	<u>26,735,102</u>
Total liabilities and net assets	\$ <u>27,318,948</u>	\$ <u>26,735,102</u>

The accompanying notes are an integral part of this statement.

LINCOLN HEALTH FOUNDATION, INC.

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

For the Years Ended September 30, 2013 and 2012

	2013		
	Unrestricted	Restricted	Total
Revenues, gains, and other support			
Investment income	\$ 694,695	\$ 10,196	\$ 704,891
Net realized gains	264,378	600	264,978
Net unrealized gains	1,278,419	15,749	1,294,168
Contributions	-	159,880	159,880
Total revenues, gains and other support	<u>2,237,492</u>	<u>186,425</u>	<u>2,423,917</u>
Net assets released from restrictions	<u>160,216</u>	<u>(160,216)</u>	<u>-</u>
Total revenues, gains and other support	2,397,708	26,209	2,423,917
Program expenses			
Grants	<u>1,516,597</u>	<u>-</u>	<u>1,516,597</u>
Total program expenses	1,516,597	-	1,516,597
Administrative expenses			
Investment fees	163,441	-	163,441
Administration	<u>160,033</u>	<u>-</u>	<u>160,033</u>
Total administrative expenses	323,474	-	323,474
Change in net assets	557,637	26,209	583,846
Net assets, beginning of year	<u>26,231,510</u>	<u>503,592</u>	<u>26,735,102</u>
Net assets, end of year	<u>\$ 26,789,147</u>	<u>\$ 529,801</u>	<u>\$ 27,318,948</u>

The accompanying notes are an integral part of this statement.

2012		
<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
\$ 748,235	\$ 9,590	\$ 757,825
109,994	(1,781)	108,213
2,293,370	24,267	2,317,637
-	157,711	157,711
3,151,599	189,787	3,341,386
344,345	(344,345)	-
3,495,944	(154,558)	3,341,386
1,324,247	-	1,324,247
1,324,247		1,324,247
153,711	-	153,711
149,458	-	149,458
303,169	-	303,169
1,868,528	(154,558)	1,713,970
24,362,982	658,150	25,021,132
\$ 26,231,510	\$ 503,592	\$ 26,735,102

LINCOLN HEALTH FOUNDATION, INC.

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

For the Years Ended September 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 583,846	\$ 1,713,970
Adjustments to reconcile change in net assets to net cash (used) by operating activities		
Depreciation	1,209	1,209
Net realized and unrealized (gains) losses	(1,559,146)	(2,425,850)
Net cash (used) by operating activities	(974,091)	(710,671)
Cash flows from investing activities		
Purchases of investments	(16,887,472)	(8,876,258)
Proceeds from sale of investments	17,696,095	9,471,506
Net cash provided by investing activities	808,624	595,248
Net increase (decrease) in cash and cash equivalents	(165,467)	(115,423)
Cash and cash equivalents at beginning of the year	415,395	530,818
Cash and cash equivalents at end of the year	\$ 249,928	\$ 415,395
 Cash and cash equivalents are shown on the Statements of Assets, Liabilities, and Net Assets as follows:		
Cash and cash equivalents	\$ 91,902	\$ 258,751
Restricted assets - cash	158,026	156,644
Cash and cash equivalents at end of the year	\$ 249,928	\$ 415,395

The accompanying notes are an integral part of this statement.

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

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 organization'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 zero 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 them.

Upon liquidation of the System, the purpose of the Foundation is now to use the sales proceeds and liquidating distributions to improve healthcare and outcomes 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, they reflect revenues when received rather than when earned and expenses are recognized when paid rather than when incurred.

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

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. Financial Statement Position

The Foundation reports information regarding its financial position and activities 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.

D. 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. When both restricted and unrestricted funds are available for use, it is the Foundation's policy to utilize the restricted funds first.

E. Grants Payable

The Foundation awards grants annually to entities that promote the health and enhance the quality of life of all residents within certain northeastern Louisiana parishes based on an application process. When grants are approved by the Board, they are recorded as a payable at that time and are disbursed according to the terms of the grant agreement at a certain point in the future.

F. Income Taxes

The Foundation is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC). Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

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 penalties related to late filing or other requirements would be recognized as penalties expense in the foundation's accounting records. Income taxes in the amounts of \$14,129 and \$3,689 were paid for the years ended September 30, 2013 and 2012, respectively.

The Foundation files U.S. Federal Form 990 for informational purposes. The Foundation's federal income tax returns for the tax years 2010 and beyond remain subject to examination by the Internal Revenue Service.

G. 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 and assumptions.

H. 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.

I. 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).

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

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:

- A. 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.
- B. 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 investment grade quality or better. No limit is placed in 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.
- C. 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.

J. Advertising Costs

Advertising costs are expensed as paid. Such costs amounted to \$2,512 and \$1,751 for the fiscal years ended September 30, 2013 and 2012, respectively, and are included in administrative expenses.

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

K. Reclassifications

Reclassifications have been made to the financial statements of the Foundation to make them comparable to the current year presentation.

Note 2 - Temporarily Restricted Funds

As of September 30, 2013 and 2012, temporarily restricted net assets consisted of \$158,026 and \$156,644, respectively, of funds received for the treatment of indigent patients and \$371,775 and \$346,948, respectively, for scholarships.

Note 3 - 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, 2013			
Money market / cash	\$ 1,569,475	\$ 1,531,558	\$ 37,917
Domestic equity	1,424,684	1,227,952	196,733
International equity	2,069,978	1,904,455	165,523
Domestic fixed income	21,998,429	20,609,628	1,388,801
Total	<u>\$ 27,062,566</u>	<u>\$ 25,273,592</u>	<u>\$ 2,866,636</u>
Investments	\$ 371,775		
Restricted assets - investments	<u>26,690,792</u>		
Total	<u>\$ 27,062,566</u>		
 For the year ended September 30, 2012			
Money market / cash	\$ 2,314,517	\$ 2,252,207	\$ 62,310
Domestic equity	10,501,351	8,590,851	1,910,500
International equity	1,689,769	1,575,890	113,879
Domestic fixed income	11,806,408	11,177,460	628,947
Total	<u>\$ 26,312,044</u>	<u>\$ 23,596,408</u>	<u>\$ 2,717,679</u>
Investments	\$ 346,948		
Restricted assets - investments	<u>25,965,096</u>		
Total	<u>\$ 26,312,044</u>		

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

Note 4 - Fair Value of Financial Instruments

The Foundation adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820), as of January 1, 2008. Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2013 and 2012 are as follows:

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

	<i>Assets at Fair Value as of September 30, 2013</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Markets	\$ -	1,569,475	-	1,569,475
Certificates of Deposit	-	-	-	-
Mutual Funds				
Domestic Fixed Income	12,119,317	-	-	12,119,317
Foreign Growth	850,594	-	-	850,594
Total Mutual Funds	<u>12,969,910</u>	<u>-</u>	<u>-</u>	<u>12,969,910</u>
Fixed Income				
U.S. Government Obligations	-	6,705,869	-	6,705,869
Corporate Bonds & Notes	-	3,173,243	-	3,173,243
Total Fixed Income	<u>-</u>	<u>9,879,112</u>	<u>-</u>	<u>9,879,112</u>
Common Stock				
Domestic	1,424,684	-	-	1,424,684
Foreign	1,219,384	-	-	1,219,384
Total Common Stock	<u>2,644,068</u>	<u>-</u>	<u>-</u>	<u>2,644,068</u>
Total	<u>15,613,979</u>	<u>11,448,587</u>	<u>-</u>	<u>27,062,566</u>
Investments				26,690,791
Restricted assets - investments				<u>371,775</u>
Total				<u>27,062,566</u>

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

	<i>Assets at Fair Value as of September 30, 2012</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Markets	\$ -	2,210,676	-	2,210,676
Certificates of Deposit	103,841	-	-	103,841
Mutual Funds				
Domestic Fixed Income	6,565,767	-	-	6,565,767
Foreign Growth	825,013	-	-	825,013
Total Mutual Funds	<u>7,390,780</u>	<u>-</u>	<u>-</u>	<u>7,390,780</u>
Fixed Income				
U.S. Government Obligations	-	3,246,391	-	3,246,391
Corporate Bonds & Notes	-	1,995,249	-	1,995,249
Total Fixed Income	<u>-</u>	<u>5,241,640</u>	<u>-</u>	<u>5,241,640</u>
Common Stock				
Domestic	10,501,351	-	-	10,501,351
Foreign	863,756	-	-	863,756
Total Common Stock	<u>11,365,107</u>	<u>-</u>	<u>-</u>	<u>11,365,107</u>
Total	<u>18,859,728</u>	<u>7,452,316</u>	<u>-</u>	<u>26,312,044</u>
Investments				25,965,096
Restricted assets - investments				346,948
Total				<u>26,312,044</u>

Note 5 - Property and Equipment

At September 30, 2013 and 2012, property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures and equipment	\$ 10,295	\$ 10,295
Less-accumulated depreciation	<u>(3,841)</u>	<u>(2,632)</u>
	<u>\$ 6,454</u>	<u>\$ 7,663</u>

Depreciation expense was \$1,209 for each of the years ended September 30, 2013 and 2012.

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2013 and 2012

Note 6 - Leases

The Foundation leases office space and office equipment used in its operations. For the fiscal years ended September 30, 2013 and 2012, rental expense amounted to \$13,052 and \$13,200, respectively. During both periods rent was paid to a related party.

Note 7 - Concentrations

The Foundation maintains its cash balances in financial institutions in the United States. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Foundation may exceed the federally insured limits. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

Note 8 - Related Party Transactions

A business owned by a Board Member donated goods and services to a grantee of the Foundation. During the year ended September 30, 2013, the annual grant amount awarded by the Foundation was increased \$12,000 to pay for some of these goods and services received by the grantee from the business.

During the year ended September 30, 2013, the Foundation moved its operations to the offices of the company contracted to perform the Foundation's management functions and the associated financial compensation for said is included in the service contract. Additionally, during the year the Board approved to sell all Foundation assets to the management company for 40% of original purchase price or \$10,030 with the actual sale to occur October 1, 2014.

Note 9 - Reclassification of Net Assets

During the year ended September 30, 2013, management re-evaluated restrictions with respect to the scholarship funds and determined that these funds were temporarily restricted because of donor designations. As a result the scholarship funds as of and for the year ended September 30, 2012 were reclassified from unrestricted to temporarily restricted but total net assets did not change.

Note 10 - Subsequent Event

Management has evaluated subsequent events through May 30, 2014, the date which the financial statements were available to be issued and noted no events occurring subsequent to the reporting period that need disclosure.