

LINCOLN HEALTH FOUNDATION, INC

**Financial Statements
For the Years Ended September 30, 2014 and 2013**

LINCOLN HEALTH FOUNDATION, INC.

For the Years Ended September 30, 2014 and 2013

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(A PROFESSIONAL ACCOUNTING CORPORATION)
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements-modified cash basis 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, 2014, and the related statements of revenues, expenses and other changes in net assets-modified cash basis and cash flows-modified cash basis for the years 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 organization 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 is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with the modified cash basis of accounting, as described in Note 1.

The financial statements-modified cash basis for the year ended September 30, 2013, were audited and we expressed an unqualified opinion on them in our opinion dated May 30, 2014, but we have not performed any auditing procedures since that date.



(A Professional Accounting Corporation)

February 3, 2015

BASIC FINANCIAL STATEMENTS

LINCOLN HEALTH FOUNDATION, INC.

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

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 109,219	\$ 91,902
Restricted assets-cash	157,682	158,026
Investments	27,577,741	26,690,791
Restricted assets-investments	397,326	371,775
Property and equipment, net	<u>-</u>	<u>6,454</u>
Total assets	<u>\$ 28,241,968</u>	<u>\$ 27,318,948</u>
Liabilities	\$ -	\$ -
Net assets		
Unrestricted	27,686,960	26,789,147
Temporarily restricted	<u>555,008</u>	<u>529,801</u>
Total net assets	<u>28,241,968</u>	<u>27,318,948</u>
Total liabilities and net assets	<u>\$ 28,241,968</u>	<u>\$ 27,318,948</u>

See accompanying notes and independent accountants' 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, 2014 and 2013

	2014		
	Unrestricted	Restricted	Total
Revenues, gains, and other support			
Investment income	\$ 693,849	\$ 17,875	\$ 711,724
Net realized gains	570,055	-	570,055
Net unrealized gains	1,220,852	9,545	1,230,397
Contributions	-	160,705	160,705
Gain on sale of assets	1,186	-	1,186
Total revenues, gains and other support	2,485,942	188,125	2,674,067
Net assets released from restrictions	162,918	(162,918)	-
Total revenues, gains and other support	2,648,860	25,207	2,674,067
Program expenses			
Grants	1,391,053	-	1,391,053
Total program expenses	1,391,053	-	1,391,053
Administrative expenses			
Investment fees	190,266	-	190,266
Administration	169,728	-	169,728
Total administrative expenses	359,994	-	359,994
Change in net assets	897,813	25,207	923,020
Net assets, beginning of year	26,789,147	529,801	27,318,948
Net assets, end of year	\$ 27,686,960	\$ 555,008	\$ 28,241,968

See accompanying notes and independent accountants' review report.

2013		
Unrestricted	Restricted	Total
\$ 694,695	\$ 10,196	\$ 704,891
264,378	600	264,978
1,278,419	15,749	1,294,168
-	159,880	159,880
-	-	-
2,237,492	186,425	2,423,917
160,216	(160,216)	-
2,397,708	26,209	2,423,917
1,516,597	-	1,516,597
1,516,597	-	1,516,597
163,441	-	163,441
160,033	-	160,033
323,474	-	323,474
557,637	26,209	583,846
26,231,510	503,592	26,735,102
\$ 26,789,147	\$ 529,801	\$ 27,318,948

LINCOLN HEALTH FOUNDATION, INC.

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

For the Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 923,020	\$ 583,846
Adjustments to reconcile change in net assets to net cash (used) by operating activities		
Gain on sale of assets	(1,186)	-
Depreciation	-	1,209
Net realized and unrealized (gains) losses	(1,800,452)	(1,559,146)
Net cash (used) by operating activities	<u>(878,618)</u>	<u>(974,091)</u>
Cash flows from investing activities		
Purchases of investments	(14,196,706)	(16,887,472)
Proceeds from sale of investments	15,084,657	17,696,095
Proceeds from sale of assets	7,640	-
Net cash provided by investing activities	<u>895,591</u>	<u>808,624</u>
Net increase (decrease) in cash and cash equivalents	16,973	(165,467)
Cash and cash equivalents at beginning of the year	<u>249,928</u>	<u>415,395</u>
Cash and cash equivalents at end of the year	<u>\$ 266,901</u>	<u>\$ 249,928</u>
Shown on the accompanying statements of assets, liabilities and net assets-modified cash basis		
Cash and cash equivalents	\$ 109,219	\$ 91,902
Restricted assets-cash	<u>157,682</u>	<u>158,026</u>
Total	<u>\$ 266,901</u>	<u>\$ 249,948</u>

See accompanying notes and independent accountants' review report.

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2014 and 2013

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 incurred with the exception of investments which are recorded at fair market

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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. 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 investment grade quality or better. No limit is placed on investments in U.S.

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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 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. 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, 2014 and 2013, there were no permanently restricted net assets.

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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 \$1,790 and \$2,512 for the fiscal years ended September 30, 2014 and 2013, 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 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 \$2,335 and \$14,129 were paid for the years ended September 30, 2014 and 2013, respectively.

The Foundation's federal form 990-PF for the tax years ending September 30, 2011 and after remain subject to examination by the Internal Revenue Service.

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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, 2014			
Money market / cash	\$ 1,636,574	\$ 1,636,574	\$ -
Domestic equity	13,861,492	10,552,571	3,308,921
International equity	3,468,782	3,441,309	27,473
Domestic fixed income	9,008,220	8,972,901	35,320
Total	<u>\$ 27,975,068</u>	<u>\$ 24,603,355</u>	<u>\$ 3,371,713</u>
Investments	\$ 27,577,741		
Restricted assets - investments	<u>397,326</u>		
Total	<u>\$ 27,975,068</u>		
For the year ended September 30, 2013			
Money market / cash	\$ 2,381,233	\$ 2,319,054	\$ 62,178
Domestic equity	13,664,622	11,034,232	2,630,390
International equity	1,524,033	1,398,137	125,895
Domestic fixed income	9,492,679	9,444,507	48,172
Total	<u>\$ 27,062,566</u>	<u>\$ 24,195,931</u>	<u>\$ 2,866,636</u>
Investments	\$ 26,690,792		
Restricted assets - investments	<u>371,775</u>		
Total	<u>\$ 27,062,566</u>		

Note 3- Temporarily Restricted Funds

As of September 30, 2014 and 2013, temporarily restricted net assets consisted of \$157,682 and \$158,026, respectively, of funds received for the treatment of indigent patients and \$397,326 and \$371,775, respectively, for scholarships.

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Note 4 - Contracts and Leases

The Foundation contracted all management services in a 2-year management service contract approved by the Board on September 18, 2013. The contracted services totaled \$93,706 and \$88,324 for the years ending September 30, 2014 and 2013. The Foundation also leases office space as part of the service contract. For the fiscal years ended September 30, 2014 and 2013, office space rental expense amounted to \$14,400 and \$13,042, respectively.

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 fully insured at September 30, 2014 and 2013.

Note 6 - Subsequent Event

Management has evaluated subsequent events through February 3, 2015, the date which the financial statements were available to be issued and noted no events occurring subsequent to the reporting period that need disclosure.