

LINCOLN HEALTH FOUNDATION, INC

**Financial Statements
For the Years Ended September 30, 2017 and 2016**

LINCOLN HEALTH FOUNDATION, INC.

For the Years Ended September 30, 2017 and 2016

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HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lincoln Health Foundation, Inc.
305 South Vienna Street
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 assets, liabilities, and net assets-modified cash basis as of September 30, 2017, 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.

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 also includes evaluating the appropriateness

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

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

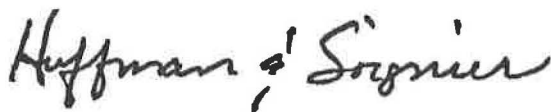
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.A.

Prior Period Financial Statements

The September 30, 2016 financial statements presented on the modified cash basis of accounting were reviewed by us, and our report thereon, dated February 9, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with the modified cash basis of accounting. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

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 handwritten signature in black ink, reading "Huffman & Signier". The signature is written in a cursive, flowing style.

(A Professional Accounting Corporation)

February 28, 2018

BASIC FINANCIAL STATEMENTS

LINCOLN HEALTH FOUNDATION, INC.

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

September 30, 2017 and 2016

	2017 (Audited)	2016 (Reviewed)
Assets		
Cash and cash equivalents	\$ 372,603	\$ 343,547
Restricted assets-cash	178,776	423
Investments, at fair value	27,539,012	26,405,538
Restricted assets-investments, at fair value	<u>389,805</u>	<u>374,476</u>
Total assets	\$ <u>28,480,196</u>	\$ <u>27,123,984</u>
Liabilities	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets		
Unrestricted	27,911,615	26,749,085
Temporarily restricted	<u>568,581</u>	<u>374,899</u>
Total net assets	<u>28,480,196</u>	<u>27,123,984</u>
Total liabilities and net assets	\$ <u>28,480,196</u>	\$ <u>27,123,984</u>

The accompanying notes are an integral part of these statements.

LINCOLN HEALTH FOUNDATION, INC.

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

For the Years Ended September 30, 2017 and 2016

	2017 (Audited)		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Investment income	\$ 609,539	\$ 31,778	\$ 641,317
Net realized gains	829,474	-	829,474
Net unrealized gains	1,518,967	-	1,518,967
Contributions	<u>-</u>	<u>356,323</u>	<u>356,323</u>
Total revenues, gains and other support	2,957,980	388,101	3,346,081
Net assets released from restrictions	<u>194,419</u>	<u>(194,419)</u>	<u>-</u>
Total revenues, gains and other support	3,152,399	193,682	3,346,081
Program expenses			
Grants	<u>1,653,277</u>	<u>-</u>	<u>1,653,277</u>
Total program expenses	1,653,277	-	1,653,277
Administrative expenses			
Investment fees	176,062	-	176,062
Administration	<u>160,530</u>	<u>-</u>	<u>160,530</u>
Total administrative expenses	336,592	-	336,592
Change in net assets	1,162,530	193,682	1,356,212
Net assets, beginning of year	<u>26,749,085</u>	<u>374,899</u>	<u>27,123,984</u>
Net assets, end of year	<u>\$ 27,911,615</u>	<u>\$ 568,581</u>	<u>\$ 28,480,196</u>

The accompanying notes are an integral part of these statements.

2016		
(Reviewed)		
Unrestricted	Restricted	Total
\$ 620,799	\$ 36,015	\$ 656,814
5,649	-	5,649
1,587,913	-	1,587,913
-	170,049	170,049
2,214,361	206,064	2,420,425
206,768	(206,768)	-
2,421,129	(704)	2,420,425
1,382,649	-	1,382,649
1,382,649	-	1,382,649
183,557	-	183,557
184,041	-	184,041
367,598	-	367,598
670,882	(704)	670,178
26,078,203	375,603	26,453,806
\$ 26,749,085	\$ 374,899	\$ 27,123,984

LINCOLN HEALTH FOUNDATION, INC.

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

For the Years Ended September 30, 2017 and 2016

	2017 (Audited)	2016 (Reviewed)
Cash flows from operating activities		
Change in net assets	\$ 1,356,212	\$ 670,178
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net realized and unrealized gains	(2,348,441)	(1,593,562)
Net cash used by operating activities	(992,229)	(923,384)
Cash flows from investing activities		
Purchases of investments	(9,671,086)	(10,214,387)
Proceeds from sale of investments	10,870,724	11,443,080
Net cash provided by investing activities	1,199,638	1,228,693
Net increase in cash and cash equivalents	207,409	305,309
Cash and cash equivalents at beginning of the year	343,970	38,661
Cash and cash equivalents at end of the year	\$ 551,379	\$ 343,970
Shown on the accompanying statements of assets, liabilities and net assets-modified cash basis		
Cash and cash equivalents	\$ 372,603	\$ 343,547
Restricted assets-cash	178,776	423
Total	\$ 551,379	\$ 343,970

The accompanying notes are an integral part of these statements.

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2017 (Audited) and 2016 (Reviewed)

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 which is a comprehensive basis of accounting other than US Generally Accepted Accounting Principles (GAAP). 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

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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 using quoted market prices in active markets. 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 follows GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based on the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. The Foundation has no assets valued using Level 2 or Level 3 inputs.

The Foundation maintains three unrestricted investment accounts and one temporarily restricted investment account. 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 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

LINCOLN HEALTH FOUNDATION, INC.
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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. 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's. 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 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

LINCOLN HEALTH FOUNDATION, INC.
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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.

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, 2017 and 2016, 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 \$10,617 and \$8,117 for the fiscal years ended September 30, 2017 and 2016, 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

LINCOLN HEALTH FOUNDATION, INC.
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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 \$0 and \$18,038 were paid for the years ended September 30, 2017 and 2016, respectively.

The Foundation's federal form 990-PF for the tax years ending September 30, 2014 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.

K. Reclassifications

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

L. Subsequent Events

Management has evaluated subsequent events through February 28, 2018 the date which the financial statements were available to be issued

Note 2 - Investments

Investments are reported in these financial statements at Level 1 fair market value.

	<u>Market</u>	<u>Cost</u>	<u>Unrealized Market Gain (Loss)</u>
For the year ended September 30, 2017			
Money market / cash	\$ 1,165,509	\$ 1,165,509	\$ -
Domestic equity	13,819,964	9,153,919	4,666,044
International equity	2,524,065	2,327,079	196,986
Domestic fixed income	10,419,279	10,383,200	36,079
Total	<u>\$ 27,928,817</u>	<u>\$ 23,029,708</u>	<u>\$ 4,899,109</u>

LINCOLN HEALTH FOUNDATION, INC.
Notes To The Financial Statements
For the Years Ended September 30, 2017 (Audited) and 2016 (Reviewed)

Restricted assets - investments	\$	389,805
Investments		<u>27,539,012</u>
Total	\$	<u>27,928,817</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		<u>9,914,431</u>		<u>9,807,498</u>		<u>106,933</u>
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>

Note 3- Temporarily Restricted Funds

As of September 30, 2017 and 2016, temporarily restricted net assets consisted of \$178,776 and \$423, respectively, of funds received for the treatment of indigent patients and \$389,805 and \$374,476, 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 each of the years ending September 30, 2017 and 2016. The Foundation also leases office space as part of the service contract. For each of the fiscal years ended September 30, 2017 and 2016, 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 \$7,600 for the years ended September 30, 2017 and 2016. In September 2015, the Board approved the extension of this contract for two years through September 30, 2019 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

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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, 2017 by \$122,603.

Note 6 - Related Party Transactions

The Foundation contracts services to include the duties of the Chief Executive Officer from a company that is an outsourced financial and services provider for one of the Foundation's grantees. For the year ended September 30, 2017, the Foundation awarded \$666,250 in grant monies and line of credit to this grantee.