

**LINCOLN HEALTH FOUNDATION, INC**  
Ruston, Louisiana

**Financial Statements**  
For the Years Ended September 30, 2020 and 2019

**LINCOLN HEALTH FOUNDATION, INC.**

Ruston, Louisiana

**Table of Contents**

For the Years Ended September 30, 2020 and 2019

	Page
<b>Independent Accountants' Review Report</b>	<b>1</b>
<b>Basic Financial Statements</b>	
Statements of Assets, Liabilities, and Net Assets- Modified Cash Basis	3
Statements of Revenues, Expenses and Other Changes in Net Assets- Modified Cash Basis	4
Statements of Cash Flows- Modified Cash Basis	5
Notes to the Financial Statements	6



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## INDEPENDENT AUDITORS' REPORT

**To the 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 statement of assets, liabilities and net assets-modified cash basis as of September 30, 2020, 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 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.

### **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.

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

**Prior Period Financial Statements**

The September 30, 2019 financial statements presented on the modified cash basis of accounting were audited by us, and our report thereon, dated August 18, 2020, 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. 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.

*Woodard & Associates*

**(A Professional Accounting Corporation)**  
Monroe, Louisiana

**July 15, 2021**

## **BASIC FINANCIAL STATEMENTS**

**LINCOLN HEALTH FOUNDATION, INC.**

Ruston, Louisiana

**Statements of Assets, Liabilities, and Net Assets -**

**Modified Cash Basis**

September 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
	<b>(Reviewed)</b>	<b>(Audited)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 478,419	\$ 598,399
Restricted assets-cash	4,222	3,183
Investments, at fair value	26,310,990	26,534,115
Restricted assets-investments, at fair value	418,558	397,360
<b>Total assets</b>	<b>\$ 27,212,190</b>	<b>\$ 27,533,057</b>
<b>Liabilities</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		
Without donor restriction	\$ 26,789,408	\$ 27,132,514
With donor restriction	422,782	400,543
<b>Total net assets</b>	<b>27,212,190</b>	<b>27,533,057</b>
<b>Total liabilities and net assets</b>	<b>\$ 27,212,190</b>	<b>\$ 27,533,057</b>

The accompanying notes are an integral part of these statements.

**LINCOLN HEALTH FOUNDATION, INC.**

Ruston, Louisiana

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

For the Years Ended September 30, 2020 and 2019

	<b>2020 (Reviewed)</b>			<b>2019 (Audited)</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
<b>Revenues, gains, and other support</b>						
Investment income	\$ 638,847	\$ 36,904	\$ 675,751	\$ 690,261	\$ 18,553	\$ 708,814
Net realized gains/ loss	284,803	-	284,803	628,928	-	628,928
Net unrealized gains/loss	949,398	-	949,398	(343,570)	-	(343,570)
Contributions	2,837	171,824	174,661	262	173,593	173,855
Total revenues, gains and other support	<u>1,875,885</u>	<u>208,728</u>	<u>2,084,613</u>	<u>975,882</u>	<u>192,146</u>	<u>1,168,028</u>
<b>Net assets released from restrictions</b>	<u>186,489</u>	<u>(186,489)</u>	<u>-</u>	<u>181,717</u>	<u>(181,717)</u>	<u>-</u>
Total revenues, gains and other support	2,062,374	22,239	2,084,613	1,157,599	10,429	1,168,028
<b>Program expenses</b>						
Grants	<u>2,076,213</u>	<u>-</u>	<u>2,076,213</u>	<u>2,003,885</u>	<u>-</u>	<u>2,003,885</u>
Total program expenses	2,076,213	-	2,076,213	2,003,885	-	2,003,885
<b>Administrative expenses</b>						
Investment fees	122,215	-	122,215	124,432	-	124,432
Administration	<u>207,052</u>	<u>-</u>	<u>207,052</u>	<u>211,432</u>	<u>-</u>	<u>211,432</u>
Total administrative expenses	329,267	-	329,267	335,864	-	335,864
<b>Change in net assets</b>	(343,106)	22,239	(320,867)	(1,182,150)	10,429	(1,171,721)
<b>Net assets, beginning of year</b>	<u>27,132,514</u>	<u>400,543</u>	<u>27,533,057</u>	<u>28,314,664</u>	<u>390,114</u>	<u>28,704,778</u>
<b>Net assets, end of year</b>	<u>\$ 26,789,408</u>	<u>\$ 422,782</u>	<u>\$ 27,212,190</u>	<u>\$ 27,132,514</u>	<u>\$ 400,543</u>	<u>\$ 27,533,057</u>

The accompanying notes are an integral part of these statements.

**LINCOLN HEALTH FOUNDATION, INC.**

Ruston, Louisiana

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

For the Years Ended September 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
	<b>(Reviewed)</b>	<b>(Audited)</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (320,867)	\$ (1,171,721)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net realized and unrealized gains	(1,234,201)	(285,359)
Net cash used by operating activities	(1,555,067)	(1,457,080)
<b>Cash flows from investing activities</b>		
Purchases of investments	(6,084,309)	(8,113,944)
Proceeds from sale of investments	7,520,437	9,703,443
Proceeds from sale of assets	-	-
Net cash provided by investing activities	1,436,128	1,589,499
<b>Net increase in cash and cash equivalents</b>	(118,939)	132,419
<b>Cash and cash equivalents at beginning of the year</b>	601,582	469,163
<b>Cash and cash equivalents at end of the year</b>	\$ <u>482,642</u>	\$ <u>601,582</u>
Shown on the accompanying statements of assets, liabilities and net assets-modified cash basis		
Cash and cash equivalents	\$ 478,419	\$ 598,399
Restricted assets-cash	4,222	3,183
<b>Total</b>	\$ <u>482,642</u>	\$ <u>601,582</u>

The accompanying notes are an integral part of these statements.



# **LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

## **Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

### **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 investments which are recorded at fair market value resulting in unrealized gains and losses.

The Foundation has adopted the provisions of FASB’s Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit*

# **LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

## **Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

*Entities* which modifies the presentation of net assets on the basic financial statements. In accordance with FASB ASU 2016-14, net assets are presented in two classes – net assets without donor restrictions and net assets with donor restrictions. Presentation in a particular net asset class is based on the existence or absence of donor-imposed restrictions on the use of net assets. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

*Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature. These restrictions will be satisfied by actions of the Foundation or by the passage of time.

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and Board of Directors.

### **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 prices 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 investment accounts without donor restrictions and one investment account with donor restrictions. Each of these

# **LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

## **Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

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 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 not be 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.

# **LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

## **Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

### **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 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 used to report 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. But after the adoption of ASU 2016-14, the Foundation reports information regarding its net asset position on the modified cash basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction, based upon the existence or absence of donor-imposed restrictions.

### **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 Foundation's 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 \$6,367 and \$11,534 for the fiscal years ended September 30, 2020 and 2019, respectively, and are included in administration expenses.

# **LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

## **Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

### **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 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 \$277 and \$26,352 were paid for the years ended September 30, 2020 and 2019, respectively.

The Foundation's federal form 990 for the tax years ending September 30, 2020 and after remaining 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.

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

### **K. Subsequent Events**

Management has evaluated subsequent events through July 15, 2021, the date which the financial statements were available to be issued and determined that there were no events occurred subsequent to the reporting period that are required to be disclosed.

**LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

**Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

**Note 2 – Investments**

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

	Market	Cost	Unrealized Market Gain (Loss)
<b>For the year ended September 30, 2020</b>			
Money Market/Cash	\$ 995,866.00	\$ 995,867.00	\$ -
Domestic Equity	14,666,802.00	9,568,806.00	5,097,995.00
International Equity	-	-	-
Domestic Fixed Income	10,369,480.00	9,819,598.00	549,882.00
Alternative Investments	197,400.00	201,900.00	(4,500.00)
Miscellaneous Assets	500,000.00	500,000.00	-
Total	<u>\$ 26,729,548.00</u>	<u>\$ 21,086,171.00</u>	<u>\$ 5,643,377.00</u>
Restricted assets-investments	\$ 418,558.00		
Investments	26,310,990.00		
Total	<u>\$ 26,729,548.00</u>		
<b>For the year ended September 30, 2019</b>			
Money Market/Cash	\$ 301,507.00	\$ 301,507.00	\$ -
Domestic Equity	15,739,404.00	11,339,393.00	4,400,011.00
International Equity	-	-	-
Domestic Fixed Income	10,656,204.00	10,395,690.00	260,515.00
Alternative Investments	234,360.00	201,900.00	32,460.00
Total	<u>\$ 26,931,475.00</u>	<u>\$ 22,238,490.00</u>	<u>\$ 4,692,986.00</u>
Restricted assets-investments	\$ 397,360.00		
Investments	26,534,115.00		
Total	<u>\$ 26,931,475.00</u>		

**Note 3- With Donor Restriction Funds**

As of September 30, 2020, and 2019, donor restricted net assets consisted of \$4,222 and \$3,183, respectively, of funds received for the treatment of indigent patients and \$418,560 and \$397,360, respectively, for scholarships.

**Note 4 - Contracts and Leases**

As of September 2015, the Foundation began contracting out all management services with a 2-year management contract with an extension option at the end of the 2-year contract period with Board approval. The Board has currently approved the renewal of the service contract for two years through September 30, 2021. The

# **LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

## **Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

contracted services totaled \$99,329 for both years ending September 30, 2020, and 2019. The Foundation also leases office space as part of the service contract. For each of the fiscal years ended September 30, 2020, and 2019, office space rental expense amounted to \$14,400. Beginning with the year ended September 30, 2015, the Foundation added fixed monthly costs to the management contract for copies, telephone and communications and computer and software. These totaled \$7,877 and \$7,600 for the years ended September 30, 2020 and 2019.

### **Note 5 – Litigation**

A suit was filed by Ruston Louisiana Hospital Company, LLC against Lincoln Health Foundation on July 6, 2018, concerning Medicare cost reimbursements. The suit seeks recovery of \$703,562 plus attorney's fees. On December 30, 2019, the District Court made a judgement ruling that the Foundation had no liability to the Plaintiff, but the Plaintiff has filed an appeal with the District Court's ruling to the United States Court of Appeals for the Fifth Circuit. The Appellate Court has issued a ruling against Ruston Louisiana Hospital Company, LLC in their lawsuit against the Foundation at the week of November 2, 2020. The lawsuit is officially complete. Lincoln Health Foundation has recorded no liability nor incurred any legal fees related to the suit.

### **Note 6 - 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, 2020 by \$228,419.

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. The Foundation's grant participants were impacted by the pandemic causing the Foundation to reevaluate the grant agreement with affected awardees. At this point of time, it is difficult to anticipate the duration and severity of this pandemic. Management has evaluated the effects of the outbreak and ensuing economic repercussions on the Foundation and has not identified a need for an adjustment as of the date of this report.

**LINCOLN HEALTH FOUNDATION, INC**

Ruston, Louisiana

**Notes to the Financial Statements**

For the Years Ended September 31, 2020 and 2019

**Note 7 - 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, 2020, the Foundation awarded \$700,000 in grant monies and line of credit to this grantee.