

Lincoln Foundation

Financial Statements

Years Ended December 31, 2019 and 2018

Lincoln Foundation
Table of Contents
Years Ended December 31, 2019 and 2018

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses.....	5 - 6
Statements of Cash Flows.....	7 - 8
Notes to Financial Statements.....	9 - 23



Independent Auditor's Report

To the Board of Trustees
Lincoln Foundation

We have audited the accompanying financial statements of Lincoln Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditor's 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 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.

MCM CPAs & Advisors LLP

P 502.749.1900

F 502.749.1930

2600 Meidinger Tower

462 South Fourth Street

Louisville, KY 40202

www.mcmcpa.com

888.587.1719

A Member of PrimeGlobal - An Association
of Independent Accounting Firms

Kentucky
Indiana
Ohio

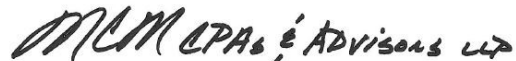
Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B6, the Foundation has adopted Financial Accounting Standards Board Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230)*. Our opinion is not modified with respect to this matter.

MCM CPAs & Advisors LLP

Louisville, Kentucky
May 14, 2020

Lincoln Foundation
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 749,612	\$ 331,647
Grants and pledges receivable, net	583,834	983,931
Other receivables	99,425	147,655
Prepaid expenses	7,916	13,575
Cash restricted for endowment purposes	37,358	568,500
Investments	8,624,148	7,412,965
Investments - deferred compensation	97,981	246,481
Beneficial interest in charitable trust	100,016	86,068
Other assets	20,158	19,358
Property and equipment, net	<u>2,189,938</u>	<u>2,217,005</u>
Total assets	<u>\$ 12,510,386</u>	<u>\$ 12,027,185</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 17,095	\$ 23,767
Accrued expenses	108,784	164,174
Unearned revenue	46,795	38,829
Line of credit	-	523,194
Long-term debt	540,018	-
Deferred compensation liability	<u>145,281</u>	<u>315,303</u>
Total liabilities	857,973	1,065,267
Net assets		
Net assets without donor restrictions		
Undesignated	3,881,755	3,917,124
Board designated, endowment	267,000	267,000
Board designated, other	<u>219,597</u>	<u>348,501</u>
Total net assets without donor restrictions	4,368,352	4,532,625
Net assets with donor restrictions		
Restricted by purpose or time	3,498,115	2,638,429
Restricted in perpetuity	<u>3,785,946</u>	<u>3,790,864</u>
Total net assets with donor restrictions	<u>7,284,061</u>	<u>6,429,293</u>
Total net assets	<u>11,652,413</u>	<u>10,961,918</u>
Total liabilities and net assets	<u>\$ 12,510,386</u>	<u>\$ 12,027,185</u>

See accompanying notes.

Lincoln Foundation
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support						
Contributions	\$ 122,899	\$ 59,569	\$ 182,468	\$ 113,292	\$ 342,460	\$ 455,752
Rental income	498,232	-	498,232	488,814	-	488,814
Grants	-	166,377	166,377	-	176,450	176,450
Program fees	6,425	-	6,425	8,800	-	8,800
In-kind contributions	2,141	151,597	153,738	4,231	145,003	149,234
Special events, net	16,771	32,166	48,937	9,190	48,785	57,975
Investment income, net	96,396	181,009	277,405	81,943	98,162	180,105
Net realized and unrealized investment gains (losses)	409,333	743,264	1,152,597	(245,439)	(429,409)	(674,848)
Change in fair value of investments held in trust by others	-	13,948	13,948	-	(8,802)	(8,802)
Miscellaneous	345	-	345	11,937	3,296	15,233
Net assets released from restrictions	493,162	(493,162)	-	678,492	(678,492)	-
Total revenues, gains and other support	1,645,704	854,768	2,500,472	1,151,260	(302,547)	848,713
Expenses						
Program services						
Educational programs	1,020,690	-	1,020,690	1,004,648	-	1,004,648
Grants and scholarships	84,056	-	84,056	102,402	-	102,402
Other	166,905	-	166,905	168,098	-	168,098
	1,271,651	-	1,271,651	1,275,148	-	1,275,148
Supporting services						
Management and general	300,673	-	300,673	242,485	-	242,485
Fundraising expenses	237,653	-	237,653	243,071	-	243,071
	538,326	-	538,326	485,556	-	485,556
Total expenses	1,809,977	-	1,809,977	1,760,704	-	1,760,704
Changes in net assets	(164,273)	854,768	690,495	(609,444)	(302,547)	(911,991)
Net assets at beginning of year	4,532,625	6,429,293	10,961,918	5,142,069	6,731,840	11,873,909
Net assets at end of year	\$ 4,368,352	\$ 7,284,061	\$ 11,652,413	\$ 4,532,625	\$ 6,429,293	\$ 10,961,918

See accompanying notes.

Lincoln Foundation
Statement of Functional Expenses
Year Ended December 31, 2019

	Program				Supporting services			
	Educational programs	Grants and scholarships	Other	Total	Management and general	Fundraising	Total	Total
Expenses								
Advertising and marketing	\$ 16,182	\$ -	\$ 15	\$ 16,197	\$ 5,394	\$ -	\$ 5,394	\$ 21,591
Bad debt	57,608	-	-	57,608	-	-	-	57,608
Bank and credit card fees	12,774	-	453	13,227	15,302	-	15,302	28,529
Banquets and receptions	8,311	-	-	8,311	-	-	-	8,311
Computer expenses	17,157	-	358	17,515	17,044	-	17,044	34,559
Depreciation	46,415	-	20,653	67,068	12,438	-	12,438	79,506
Dues and subscriptions	1,501	-	132	1,633	2,365	-	2,365	3,998
Events	-	-	-	-	-	13,414	13,414	13,414
Field trips/transportation	16,639	-	-	16,639	-	-	-	16,639
Grants and scholarships	-	84,056	-	84,056	-	-	-	84,056
In-kind expense	151,372	-	225	151,597	2,141	10,475	12,616	164,213
Insurance	9,032	-	8,414	17,446	12,331	-	12,331	29,777
Miscellaneous	2,085	-	266	2,351	2,560	-	2,560	4,911
New hire expenses	5,749	-	111	5,860	4,079	-	4,079	9,939
Occupancy	15,554	-	4,575	20,129	10,140	-	10,140	30,269
Outside services	17,791	-	4,141	21,932	14,371	-	14,371	36,303
Program evaluations	1,820	-	-	1,820	-	-	-	1,820
Repairs and maintenance	7,719	-	5,409	13,128	4,345	-	4,345	17,473
Salary and benefits	561,416	-	118,641	680,057	183,766	237,160	420,926	1,100,983
Summer institutes	49,872	-	-	49,872	-	-	-	49,872
Supplies and postage	9,352	-	204	9,556	3,304	-	3,304	12,860
Telephone	5,814	-	2,831	8,645	7,411	-	7,411	16,056
Travel and meals	6,527	-	477	7,004	3,682	-	3,682	10,686
	<u>1,020,690</u>	<u>84,056</u>	<u>166,905</u>	<u>1,271,651</u>	<u>300,673</u>	<u>261,049</u>	<u>561,722</u>	<u>1,833,373</u>
Less: special event expense included in revenue	-	-	-	-	-	(23,396)	(23,396)	(23,396)
Total expenses	<u>\$ 1,020,690</u>	<u>\$ 84,056</u>	<u>\$ 166,905</u>	<u>\$ 1,271,651</u>	<u>\$ 300,673</u>	<u>\$ 237,653</u>	<u>\$ 538,326</u>	<u>\$ 1,809,977</u>

See accompanying notes.

Lincoln Foundation
Statement of Functional Expenses
Year Ended December 31, 2018

	Program				Supporting services			
	Educational programs	Grants and scholarships	Other	Total	Management and general	Fundraising	Total	Total
Expenses								
Advertising and marketing	\$ 26,291	\$ -	\$ -	\$ 26,291	\$ 6,787	\$ -	\$ 6,787	\$ 33,078
Bank and credit card fees	1,381	-	43	1,424	4,024	-	4,024	5,448
Banquets and receptions	7,284	-	-	7,284	-	-	-	7,284
Computer expenses	15,975	-	619	16,594	16,229	-	16,229	32,823
Depreciation	11,614	-	10,261	21,875	4,211	-	4,211	26,086
Dues and subscriptions	1,116	-	117	1,233	1,771	-	1,771	3,004
Events	-	-	-	-	-	21,410	21,410	21,410
Field trips/transportation	15,591	-	-	15,591	-	-	-	15,591
Grants and scholarships	-	102,402	-	102,402	-	-	-	102,402
In-kind expense	143,461	-	1,542	145,003	4,231	18,339	22,570	167,573
Insurance	7,050	-	11,557	18,607	10,597	-	10,597	29,204
Miscellaneous	668	-	561	1,229	6,246	-	6,246	7,475
New hire expenses	10,739	-	306	11,045	12,454	-	12,454	23,499
Occupancy	27,982	-	4,996	32,978	33,124	-	33,124	66,102
Outside services	16,915	-	4,300	21,215	12,866	-	12,866	34,081
Program evaluations	6,405	-	-	6,405	-	-	-	6,405
Repairs and maintenance	2,153	-	13,593	15,746	1,491	-	1,491	17,237
Salary and benefits	643,608	-	117,322	760,930	120,864	237,774	358,638	1,119,568
Summer institutes	45,719	-	-	45,719	-	-	-	45,719
Supplies and postage	12,023	-	696	12,719	2,857	-	2,857	15,576
Telephone	4,182	-	1,570	5,752	4,393	-	4,393	10,145
Travel and meals	4,491	-	615	5,106	340	-	340	5,446
	<u>1,004,648</u>	<u>102,402</u>	<u>168,098</u>	<u>1,275,148</u>	<u>242,485</u>	<u>277,523</u>	<u>520,008</u>	<u>1,795,156</u>
Less: events expense included in revenue	-	-	-	-	-	(34,452)	(34,452)	(34,452)
Total expenses	<u>\$ 1,004,648</u>	<u>\$ 102,402</u>	<u>\$ 168,098</u>	<u>\$ 1,275,148</u>	<u>\$ 242,485</u>	<u>\$ 243,071</u>	<u>\$ 485,556</u>	<u>\$ 1,760,704</u>

See accompanying notes.

Lincoln Foundation
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ 690,495	\$ (911,991)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Net realized and unrealized investment (gain) loss	(1,152,597)	674,848
(Appreciation) depreciation of investments held in trust by others	(13,948)	8,802
Depreciation	79,506	26,086
Bad debt	57,608	-
Loss on disposal of property and equipment	-	5,532
Contributions restricted for endowment purposes	(25,842)	(324,922)
Changes in		
Grants, pledges and other receivables	115,086	(131,272)
Prepaid expenses	5,659	1,834
Other assets	(800)	(1,546)
Accounts payable and accrued expenses	(13,851)	20,530
Unearned revenue	7,966	37,954
Deferred compensation liability	<u>(170,022)</u>	<u>(18,638)</u>
Net cash used in operating activities	(420,740)	(612,783)
Cash flows from investing activities		
Change in investments, net	89,914	515,134
Purchase of property and equipment	<u>(100,650)</u>	<u>(1,087,838)</u>
Net cash used in investing activities	(10,736)	(572,704)

See accompanying notes.

Lincoln Foundation
Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities		
Line of credit, net	\$ 25,306	\$ 523,194
Payments on long-term debt	(8,482)	-
Proceeds from contributions restricted for endowment purposes	<u>301,475</u>	<u>568,000</u>
Net cash provided by financing activities	<u>318,299</u>	<u>1,091,194</u>
Decrease in cash, cash equivalents, and restricted cash	(113,177)	(94,293)
Cash, cash equivalents, and restricted cash beginning of year	<u>900,147</u>	<u>994,440</u>
Cash, cash equivalents, and restricted cash end of year	<u>\$ 786,970</u>	<u>\$ 900,147</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 24,588	\$ 2,057
Supplemental disclosure of non-cash investing and financing transactions		
Debt refinance	548,500	-
Property and equipment in accruals	-	48,211
Statements of financial position and statements of cash flow cash, cash equivalent, and restricted cash reconciliation		
Cash and cash equivalents	\$ 749,612	\$ 331,647
Cash restricted for long-term purposes	<u>37,358</u>	<u>568,500</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 786,970</u>	<u>\$ 900,147</u>

See accompanying notes.

Lincoln Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Note A - Nature of Organization and Operations

Lincoln Foundation (the "Foundation") has enabled disadvantaged youth to overcome adversity through education since its inception by Berea College over 100 years ago. After the Civil War, black and white students attended Berea College together. In the early 1900's, this desegregated educational environment was outlawed by the efforts of a Kentucky legislator named Carl Day. The Day Law, as it was named, required separate education for black and white students, therefore outlawing the Berea model. In response to this unfortunate turn of events, the Berea College Board of Trustees established Lincoln Foundation in 1910 in Simpsonville, Kentucky (also known as Lincoln Ridge). The Trustees facilitated the purchase of a 444.4 acre parcel of land to be the site for a new school, named the Lincoln Institute in honor of President Abraham Lincoln.

Lincoln Foundation served as the fiscal agent for Lincoln Institute, a prominent boarding school for black students from 1912-1966. The Lincoln School, an integrated school for the gifted, was operated from 1966-1970. The Lincoln School closed in 1970 and in 1972 part of the campus was leased to the United States Department of Labor for the purpose of operating the Whitney M. Young, Jr. Job Corps Center. This vocational rehabilitation training center remains in operation and aligns with the historical legacy of Lincoln Institute.

Today, Lincoln Foundation provides college attainment programs for promising students from underserved communities in the metro Louisville area. Students make a commitment to participate in Saturday morning and summer outside of school academic enrichment programs designed to enhance the in-school curriculum and strengthen college readiness. Emphasis is placed on closing the learning gap through student academic achievement irrespective of social or economic status leading to high school graduation and ultimately a college degree. Programming is also provided for parents and guardians to help them become better advocates for their students and assist in the college selection process. Lincoln Foundation serves over 500 students annually.

The signature program of Lincoln Foundation is the Whitney M. YOUNG Scholars Program® for students in grades 8 through the college freshman year. The acronym YOUNG stands for Youth Organized to Understand New Goals. The 45 graduating Scholars in 2019 received scholarship awards of approximately \$5,569,000. The 39 graduating Scholars in 2018 received scholarship awards of approximately \$6,496,000. Lincoln Foundation also serves multicultural students in the Louisville Metro area through the following educational programs: Math & Science Program, Project BUILD and the Educational Opportunity Scholarship Fund. A strategic component of the Whitney M. YOUNG Scholars Program® is Lincoln Foundation's educational partnerships with the University of Louisville, Bellarmine University, Jefferson Community & Technical College, Jefferson County Public Schools, Kentucky Science Center and Frazier History Museum. In 2019, the Whitney M. YOUNG Scholars Program® Summer Institutes were held at Centre College, University of Kentucky, Murray State University, Berea College, and Georgetown College.

Note B - Summary of Significant Accounting Policies

1. **Basis of Accounting:** The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative GAAP.
2. **Accounting Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.
3. **Subsequent Events:** Subsequent events for the Foundation have been considered through the date of the Independent Auditor's Report which represents the date which the financial statements were available to be issued. See Note T.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

4. Revenue Recognition: Effective January 1, 2019, the Foundation adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASC 606”). The standard was adopted using the modified retrospective method. Topic 606 creates a single framework for recognizing revenue from contracts with customers that fall within its scope and supersedes nearly all existing GAAP for revenue recognition guidance. The standard’s core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation noted no material impact on the financial statements as a result of the adoption of this amended guidance. The majority of the Foundation’s revenue is from contributions and investment income, both of which are outside the scope of Topic 606.

Effective January 1, 2019, the Foundation adopted Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in 1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard was adopted as it relates to contributions received for the year ending December 31, 2019 and will apply to contributions made for the year ending December 31, 2020.

The Foundation records special events revenue equal to the fair value of the direct benefits to donors, and contribution income for the excess received when the event takes place.

The Foundation recognizes contributions when cash, securities, or other assets, or an unconditional promise to give is received. The Foundation recognizes rental income in accordance with the specific agreement.

5. Donor-imposed Restrictions: The Foundation records and reports its assets, liabilities, net assets, revenues, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. The Foundation reports information regarding its financial position and activities according to the following net asset classifications:
- *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 primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.
 - *Net Assets with Donor Restrictions*: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

6. Cash and Cash Equivalents: The Foundation considers all short-term investments with original maturities of three months or less when purchased, that are not designated for a specific purpose, to be cash equivalents. The Foundation maintains balances with its bank in excess of federally insured limits.

In November 2016, the FASB issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230)*. This standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Consequently, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard is effective for the year ended December 31, 2019, and the Foundation has adjusted the presentation of the financial statements accordingly. The ASU has been applied retrospectively to the December 31, 2018 year presented.

The beginning of the year balance in the accompanying statement of cash flows has thus been restated to include restricted cash with cash when reconciling the beginning and end of year amounts reflected on the statement of cash flows.

7. Grants and Pledges Receivable: Grants and pledges receivable represent commitments from individuals and local organizations for educational program support and endowments. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using the risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. No allowance for uncollectible pledges or grants has been included as management considers all amounts collectible.
8. Investments: Investments in marketable securities are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. Receipt of donated investments is recorded at the quoted market value of the investment at the time of donation. Investment fees are netted with investment income in the statement of activities. These fees totaled \$40,350 and \$39,773 for the years ended December 31, 2019 and 2018, respectively.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Foundation.

9. Other Assets: The Foundation elected, effective January 1, 2007, the option to finance unemployment insurance by reimbursing the State of Kentucky for benefits paid instead of paying unemployment insurance tax. The Foundation is a member of First Nonprofit and participates in an unemployment savings program. As such, the Foundation makes required periodic contributions to the savings program, which are held in a custodial account.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

10. Property and Equipment: Assets acquired are stated at cost, or in the case of donated assets, at fair value on the date of donation. Depreciation is computed using primarily the straight-line method based on the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or their estimated useful life. Depreciation expense was \$79,506 and \$26,086 for the years ended December 31, 2019 and 2018, respectively. The Foundation capitalizes property and equipment with a value of \$1,000 or greater. Lesser amounts are expensed.
11. Unearned Revenue: Unearned revenue primarily represents rental income received in advance.
12. Income Taxes: The Foundation is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Foundation recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

13. In-kind Contributions: The Foundation receives donated goods and services primarily in connection with partnering colleges and universities for Summer Institutes including room, board, teachers and activities for Whitney M. YOUNG Scholars Program® as well as classroom space from local colleges and universities for the Educational Clinics during the school year. The summer Math and Science Program and Project BUILD receive classroom space from the University of Louisville. Project BUILD receives in-kind donations from the University of Louisville for professors who teach the classes and local corporations for the students to visit their companies on field trips. The amount of donated goods and services is recorded as revenue with the same amount included in expenses.
14. Reclassification: Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation, with no effect on net asset or the changes in net assets.
15. Functional Expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on time and effort, usage, or square footage. Accordingly, certain costs have been allocated among program and supporting services benefited.
16. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU Update No. 2016-02, *Leases*, to improve financial reporting with respect to leasing transactions. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the Foundation's year ending December 31, 2021.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

16. Recent Accounting Pronouncements (Continued): In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the Foundation's year ending December 31, 2023.

The Foundation is currently in the process of evaluating the impact of the adoption of these ASU's on the financial statements.

Note C - Liquidity and Availability of Resources

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's financial assets available within one year of the statements of financial position date for general expenditures, liabilities, and other obligations as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 749,612	\$ 331,647
Cash restricted for endowment purposes	37,358	568,500
Grants and pledges receivable, net	583,834	983,931
Other receivables	99,425	147,655
Investments	8,624,148	7,412,965
Investments - deferred compensation	97,981	246,481
Beneficial interest in charitable trust	<u>100,016</u>	<u>86,068</u>
Total financial assets	10,292,374	9,777,247
Less investments restricted by line of credit	-	(523,194)
Less Board designated reserves	(486,597)	(615,501)
Less amounts not available to be used within one year due to		
Restricted by purpose or time	(3,498,115)	(2,638,429)
Restricted in perpetuity	(3,785,946)	(3,790,864)
Add endowment fund appropriations for following year	<u>254,889</u>	<u>330,111</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,776,605</u>	<u>\$ 2,539,370</u>

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note D - Grants and Pledges Receivable

During 2016, the Foundation initiated a capital campaign. The campaign funds are to be used toward the establishment of endowments to support the Whitney Young Scholars Program® and the Dr. Samuel Robinson scholarships. The amount raised through December 31, 2019 is approximately \$3,596,000 of which approximately \$3,075,000 has been collected. In the first quarter of 2020, the capital campaign was officially terminated.

Grants and pledges receivable at December 31, 2019 and 2018 include the following:

	<u>2019</u>	<u>2018</u>
Total gross grants and pledges receivable		
Endowment	\$ 521,300	\$ 868,958
Operating	<u>74,525</u>	<u>152,051</u>
	595,825	1,021,009
Less: unamortized discount	<u>(11,991)</u>	<u>(37,078)</u>
	<u><u>\$ 583,834</u></u>	<u><u>\$ 983,931</u></u>

Contributions receivable in future periods are discounted using rates between 2.25% and 2.87%.

Note E - Beneficial Interest in Charitable Trust

The Foundation is a beneficiary of a perpetual trust in memory of Charles Haggard in appreciation of what the Foundation meant to him in his lifetime. The investments within the trust are recorded on the Foundation's financial statements at fair value. These investments are permanently restricted assets subject to the restriction of the donor with principal and any gains or losses invested in perpetuity and only the income to be distributed to the Foundation based on the Foundation's interest in the trust.

Under the Charles Haggard Trust, the Foundation receives 25% of the annual income of the trust. The Foundation records its beneficial interest in this trust at the present value of the estimated future cash flows which approximates 25% of the fair value of the trust. Distributions from the trust totaled approximately \$2,500 and \$2,400 for the years ended December 31, 2019 and 2018, respectively.

Note F - Fair Value Measurements

FASB ASC defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurements. FASB ASC also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Foundation's own assumptions.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note F - Fair Value Measurements (Continued)

Following is a description of the valuation methodologies for assets measured at fair value:

Money Market Fund: Valued using cost which approximates fair value.

Mutual Funds and Exchange Traded Funds: Valued at the closing price reported on the active market in which the individual security is traded.

Funds Held in Trust by Others: The underlying assets of the fund are valued at the closing price reported on the active market on which the individual securities are traded. The fund is valued at the net asset value of the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2019 and 2018.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019:

	Investments at fair value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 405,576	\$ -	\$ -	\$ 405,576
Mutual funds/exchange traded funds	8,316,553	-	-	8,316,553
	<u>\$ 8,722,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,722,129</u>
	Other assets at fair value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Funds held in trust by others	\$ -	\$ 100,016	\$ -	\$ 100,016
	<u>\$ -</u>	<u>\$ 100,016</u>	<u>\$ -</u>	<u>\$ 100,016</u>

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note F - Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2018:

	Investments at fair value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 401,320	\$ -	\$ -	\$ 401,320
Mutual funds/exchange traded funds	7,258,126	-	-	7,258,126
	<u>\$ 7,659,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,659,446</u>

	Other assets at fair value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Funds held in trust by others	\$ -	\$ 86,068	\$ -	\$ 86,068

Note G - Property and Equipment

Property and equipment consist of the following at December 31, 2019 and 2018:

	2019	2018
Land and improvements *	\$ 810,748	\$ 807,448
Buildings and improvements	3,064,435	3,022,479
Office equipment	108,740	109,537
Computers, software and telephone	206,321	199,139
	<u>4,190,244</u>	<u>4,138,603</u>
Less accumulated depreciation	<u>2,000,306</u>	<u>1,921,598</u>
	<u>\$ 2,189,938</u>	<u>\$ 2,217,005</u>

* - Included in land and improvements noted above is a 408 acre parcel of land owned by the Foundation located in Simpsonville Kentucky. This parcel of land was originally 444.4 acres but was reduced to 408.4 acres due to eminent domain from the construction of Interstate 64. The campus ownership was deeded to the Commonwealth of Kentucky in 1946 and title transferred back to Lincoln Foundation in 1972. Consistent with the Foundation's accounting policy (as described in Note B), this parcel of land is valued at fair market value at the time of the donation which was \$256,639. It is the Foundation's understanding that the current market value is significantly greater than the amount reflected in the financial statements.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note H - Debt

In August of 2018, the Foundation entered into a line of credit ("the Line") which contained a maximum principal amount of \$548,500. The Line was used to finance the construction on the new Bishop Lane location and was secured by investments held by the Foundation. The Line had an outstanding balance at December 31, 2018 of \$523,194. The Line was scheduled to mature in August of 2019.

Prior to the maturity of the Line, the Foundation refinanced the Line with proceeds of \$548,500 from a 2019 note payable issuance. Monthly installment payments of \$3,487, including interest at 4.49%, commenced in August of 2019 with a balloon payment of \$455,840 due June of 2024. The note payable is secured by liens on real estate. The note payable has an outstanding balance at December 31, 2019 of \$540,018.

Expected maturities of the note payable are as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2020	\$ 17,555
2021	18,440
2022	19,297
2023	20,194
2024	<u>464,532</u>
	<u>\$ 540,018</u>

Note I - Endowment Fund

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor restricted funds and a fund designated by the board of trustees to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies net assets restricted in perpetuity as the original value of gifts donated to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified as restricted in perpetuity is classified as restricted by purpose or time until appropriated for expenditure by the Foundation.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note I - Endowment Fund (Continued)

Changes in the endowment net assets for the year ended December 31, 2019 are as follows:

	December 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 267,000	\$ 6,375,865	\$ 6,642,865
Investment return			
Investment income (net of fees)	16,997	181,009	198,006
Net appreciation	<u>-</u>	<u>756,138</u>	<u>756,138</u>
Total investment return	16,997	937,147	954,144
Contributions	-	25,842	25,842
Appropriation for expenditures	<u>(16,997)</u>	<u>(132,452)</u>	<u>(149,449)</u>
Endowment net assets, end of year	<u>\$ 267,000</u>	<u>\$ 7,206,402</u>	<u>\$ 7,473,402</u>

Changes in the endowment net assets for the year ended December 31, 2018 are as follows:

	December 31, 2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 267,000	\$ 6,483,372	\$ 6,750,372
Investment return			
Investment income (net of fees)	20,659	98,012	118,671
Net depreciation	<u>-</u>	<u>(437,560)</u>	<u>(437,560)</u>
Total investment return	20,659	(339,548)	(318,889)
Contributions	-	324,922	324,922
Appropriation for expenditures	<u>(20,659)</u>	<u>(92,881)</u>	<u>(113,540)</u>
Endowment net assets, end of year	<u>\$ 267,000</u>	<u>\$ 6,375,865</u>	<u>\$ 6,642,865</u>

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note I - Endowment Fund (Continued)

The investment objectives of the endowment funds are (1) to assure a relatively stable and predictable earnings stream to meet the spending policy, which will, over time, increase at a rate that keeps pace with inflation, and (2) to optimize investment returns such that the total returns (income plus appreciation in market value) equals or exceeds the blended or balanced index, which mirrors the allocation of the portfolio. This objective is measured quarterly over one, three, and five year periods, with the goal to meet or exceed the benchmark over a multi-year period.

To achieve its investment objective, the Foundation's endowment funds are allocated among several asset classes. These asset classes may include domestic equity, international equity, fixed income securities, and cash/short-term.

The Foundation uses a total return approach in calculating distributions. The total return ranges from 3% to 5% of the unrestricted endowment balance at the discretion of the Finance Committee. New investment distributions are recalculated on a quarterly basis. The Foundation uses a rolling three-year average of the 12 previous quarterly market values.

The Charles Haggard Trust is held and administered by an independent trustee (See Note E). The investment and distribution policies for this trust are determined by the independent trustee, not the Foundation.

The Foundation borrowed approximately \$737,000 from the Endowment Fund in 2019.

Note J - Net Assets Restricted by Purpose or Time

Net assets restricted by purpose or time at December 31, 2019 and 2018 are available for the following:

	<u>2019</u>	<u>2018</u>
J. Graham Brown Foundation Challenge		
Endowment and Foundation's Match	\$ 2,900,973	\$ 2,348,512
Whitney M. Young, Jr. Memorial House	140,666	105,556
Whitney M. YOUNG Scholars Program® Endowment	201,322	-
Mae Street Kidd Scholarship Endowment	168,791	128,899
Whitney M. YOUNG Scholars Program®	50,000	50,000
Administrative	19,007	-
Dr. Samuel Robinson Scholarship Endowment	8,704	2,034
Angie V. McDonald Scholarship Fund	8,652	202
Math and Science Program	-	3,226
	<u>\$ 3,498,115</u>	<u>\$ 2,638,429</u>

The J. Graham Brown Foundation Challenge Endowment and the Foundation's match of the Brown Challenge are restricted for scholarships and education programs. The J. Graham Brown Foundation Challenge Endowment of \$500,000 and the Foundation's match of the Brown Challenge of \$500,000 were received in 1995. The original \$1,000,000 is restricted and has earned \$2,900,973 over the years, net of approximately \$965,356 in scholarships, which have been paid to students from this endowment. The Whitney M. Young Scholars Program® is restricted for education programs for grades 7-12. The Whitney M. Young Memorial House endowment is for the maintenance and upkeep of the Whitney M. Young, Jr. Birthplace which is a National Historic Landmark. The Whitney M. YOUNG Scholars Program® Endowment is to sustain the signature educational program of Lincoln Foundation. The Dr. Samuel Robinson Scholarship Endowment is restricted for scholarships to be paid to students from this endowment. The Mae Street Kidd Scholarship Endowment and the Angie V. McDonald Scholarship Fund are restricted for scholarships and education programs. The Math and Science Program is restricted for education programs. The administrative restriction is primarily restricted for the purchase of computers for the Foundation.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note K - Net Assets Restricted in Perpetuity

Net assets restricted in perpetuity at December 31, 2019 and 2018, represent the following:

	<u>2019</u>	<u>2018</u>
Whitney M. Young Scholars Program® Endowment	\$ 2,233,921	\$ 2,253,631
J. Graham Brown Foundation Challenge Endowment	500,000	500,000
Foundation's Match of Brown Challenge	500,000	500,000
Dr. Samuel Robinson Scholarship Endowment	255,409	254,565
Beneficial Interest in Charitable Trust	100,016	86,068
Whitney M. Young Memorial Endowment	100,000	100,000
Mae Street Kidd Scholarship Endowment	76,600	76,600
Hilliard Lyons Endowment	<u>20,000</u>	<u>20,000</u>
	<u>\$ 3,785,946</u>	<u>\$ 3,790,864</u>

Net investment income, as well as realized and unrealized gains and losses, attributable to the Whitney M. YOUNG Scholars Program® Endowment are restricted by purpose for the advancement of the Whitney M. YOUNG Scholars® Program. Net investment income, as well as realized and unrealized gains and losses, attributable to the Dr. Samuel Robinson Scholarship Endowment are restricted for a scholarship fund named in the honor of Dr. Samuel Robinson, President Emeritus. Net investment income, as well as realized and unrealized gains and losses, attributable to the J. Graham Brown Foundation Challenge Endowment, the Foundation's match of the Brown Challenge, Hilliard Lyons Endowment and Mae Street Kidd Scholarship Endowment are restricted for scholarships and education. Net investment income, including realized and unrealized gains and losses, attributable to the Whitney M. Young Memorial Endowment are restricted for the maintenance and upkeep of the birthplace of Whitney M. Young, Jr. Birthplace. Distributions of income related to the Foundation's Beneficial Interest in Charitable Trust are available for operations.

Note L - Concentrations

Approximately 30% of the Foundation contributions were from one donor in 2019. Approximately 81% of the Foundation's grants and pledges receivable at December 31, 2019 are from two donors.

Approximately 75% of the Foundations contributions were from two donors in 2018. Approximately 80% of the Foundation's grants and pledges receivable at December 31, 2018 are from three donors.

Note M - Operating Leases

The Foundation leased office space and equipment under several leases that expired on December 31, 2018. Rent expense, excluding real estate taxes, insurance and repair costs was \$9,373 and \$52,953 for the years ended December 31, 2019 and 2018, respectively.

Note N - Retirement Plan

A Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA) is available to all regular, full-time employees. Eligible employees may contribute up to the maximum allowed by the Internal Revenue Service. The Foundation will match employee contributions up to 3% of eligible compensation. The Foundation's matching contributions for the years ended December 31, 2019 and 2018, were \$24,192 and \$20,177, respectively.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note O - Deferred Compensation Plans

The Foundation has a deferred compensation plan set up by the Board of Trustees for selected key management employees. Currently, one former employee is being paid \$2,000 monthly through December 31, 2020. The Foundation designated approximately \$160,000 of unrestricted net assets to fund these payments.

During 2007, the Foundation began two additional non-qualified tax-deferred compensation plans. The first plan was closed out in 2019 with an ending contribution total of \$127,898. Under the second plan, contributions from the Foundation total \$64,296 over twelve years, of which \$4,989 was contributed in 2019 and \$4,898 was contributed in 2018. Amounts related to the non-qualified tax-deferred compensation plans are carried at fair value and are included in investments and deferred compensation liability on the statements of financial position.

Note P - Rental Income

The following property is being leased from the Foundation as indicated:

Whitney M. Young, Jr. Job Corps Center Campus

On January 1, 1985, the Foundation entered into a lease with the United States Department of Labor (DOL) for a portion of the Lincoln Institute property located in Simpsonville, Kentucky. On February 12, 2003, a new lease was signed, retroactive to January 1, 2001, for the use of 54.4 acres with a one-year term and an automatic renewal for forty-nine (49) years. Over the life of the lease, increases in the annual lease payments are based upon the change in the Consumer Price Index (CPI). In addition to the annual CPI increase, there is a lease provision for the rental income to be renegotiated every five years based on appraised fair market rent for the leased premises. A renegotiated rental increase was entered into effective January 1, 2012, which increased the basic rent per annum from the original lease of \$323,000 to \$350,000. During the years ended December 31, 2019 and 2018, \$455,452 and \$446,084, respectively, was received in annual rental income.

Penrod Land Rental Income

In December 1994, the Foundation signed an agreement with a lumber company to lease six acres of land at an annual rental of \$5,750. The amount of the rent increases every five years based upon the Chicago Consumer Price Index. This lease is for land used by Penrod for lumber storage. In 2009, the lease was amended to reflect an additional 1.4 acres that Penrod had encroached upon since 2005. Prior the expiration of the agreement in 2019, Penrod renewed the lease for an additional five year term. Annual rental income received was \$10,953 and \$10,903 for the years ended December 31, 2019 and 2018, respectively.

AT&T Land Rental Income

In 2012, the Foundation renewed a five year renewable agreement with a phone company to lease approximately 6,400 square feet of land, together with a right of way for access to the parcel, at an annual rental of \$7,935. The agreement may be renewed for one additional five-year term, and thereafter on an annual basis. In January of 2020, the lease was amended adding six five-year renewable terms at an annual rent of \$24,000 which will commence on August 1, 2020. The amount of rent increases by three percent annually. Upon expiration of the renewable terms, the agreement automatically renews on an annual basis. The amounts received in 2019 and 2018 were \$10,494, respectively. This lease is for land used by AT&T for a communications tower.

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note P - Rental Income (Continued)

Agricultural Rental Income

In February 2009, the Foundation signed a three year agreement with a farmer to lease two hundred acres of land for single cropped fields and twenty five acres of land for double cropped fields. During 2015, the lease was renewed for 190.50 acres, single cropped, for an additional five years at \$28,575 per annum for single cropped fields. The last year of the lease was renegotiated to \$20,000 per annum. During 2019, the lease was renewed for 160.29 acres, single cropped, for an additional five years at \$22,000 per annum for single cropped fields. The lease includes a two-year option from 2024 - 2026 at \$25,600 per annum. During each of the years ended December 31, 2019 and 2018, \$21,333 was received in rental income.

Minimum future rental income on these leases as of December 31, 2019 is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2020	\$ 49,631
2021	57,809
2022	58,538
2023	59,289
2024	44,437
Thereafter	<u>15,757</u>
	<u>\$ 285,461</u>

Note Q - Special Events

Revenues and expenses for fundraising events during the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Lionel Hampton Tribute Concert		
Revenues	\$ 53,415	\$ 80,707
Expenses	<u>(21,249)</u>	<u>(31,922)</u>
	<u>\$ 32,166</u>	<u>\$ 48,785</u>
Breakfast fundraiser		
Revenues	\$ 8,705	\$ 6,270
Expenses	<u>(2,098)</u>	<u>(2,403)</u>
	<u>\$ 6,607</u>	<u>\$ 3,867</u>
Give 4 Good		
Revenues	\$ 10,213	\$ 5,450
Expenses	<u>(49)</u>	<u>(127)</u>
	<u>\$ 10,164</u>	<u>\$ 5,323</u>

Lincoln Foundation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note R - Educational Programs

The Foundation's educational programs' expenses for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Whitney M. YOUNG Scholars Program	\$ 829,570	\$ 789,944
Math & Science Program	76,421	77,958
Portland Library Reading Program	46,237	48,102
Project BUILD	33,746	36,622
Western Library Reading Program	20,580	38,464
Educational Opportunity Scholarship	<u>14,136</u>	<u>13,558</u>
	<u>\$ 1,020,690</u>	<u>\$ 1,004,648</u>

Note S - Asset Retirement Obligation

ASC requires that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Foundation's conditional AROs primarily relate to asbestos contained in buildings that the Foundation owns on the Whitney M. Young, Jr. Job Corps Center campus. Environmental regulations exist that require the Foundation to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

No liability has been recorded in relation to the AROs because the fair value cannot be reasonably determined. Much of the asbestos in the Foundation's facilities has been removed but absent any plans to do major renovation to or demolish the facilities there is an indeterminate settlement date for the asset retirement obligation because the range of time over which the Foundation may settle the obligation is unknown or cannot be estimated.

Note T - Subsequent Events

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the financial statements were available to be issued, the Foundation's operations have not been significantly impacted by the COVID-19 outbreak. The Foundation's operations could be adversely affected as a result of COVID-19, but the impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

In April 2020, the Foundation received a Paycheck Protection Program loan under the CARES Act of approximately \$150,000. This loan bears interest at approximately 1%, is due in 24 months and is unsecured. Under the CARES Act, subject to limitations, as defined, this loan may be partially or fully forgiven, depending on specified actual payroll and other qualified costs for the 8 week period following receipt of loan proceeds.