

LINCOLN FOUNDATION

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

And Report of Independent Auditor

LINCOLN FOUNDATION
TABLE OF CONTENTS

REPORT OF INDEPENDENT ACCOUNTANT 1-2

FINANCIAL STATEMENTS

 Statements of Financial Position.....3

 Statements of Activities and Changes in Net Assets4

 Statements of Functional Expenses 5-6

 Statements of Cash Flows7

 Notes to the Financial Statements 8-21

Report of Independent Auditor

To the Board of Trustees
Lincoln Foundation
Louisville, Kentucky

Opinion

We have audited the financial statements of Lincoln Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Lincoln Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements as of December 31, 2023, were audited by MCM CPAs & Advisors LLP, which was acquired by Cherry Bekaert LLP as of October 31, 2023, and whose report dated May 9, 2023, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Cherry Bekaert LLP

Louisville, Kentucky
May 7, 2024

LINCOLN FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 689,060	\$ 973,430
Grants and pledges receivable, net	145,000	281,731
Other receivables	104,421	92,764
Prepaid expenses	38,698	48,641
Cash restricted for long-term purposes	95,359	83,275
Investments	9,330,579	8,350,885
Investments - deferred compensation	65,261	39,318
Beneficial interest in charitable trust	101,184	91,784
Other assets	21,295	18,841
Property and equipment, net	2,037,329	2,069,793
Total Assets	<u>\$ 12,628,186</u>	<u>\$ 12,050,462</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 9,097	\$ 5,773
Accrued expenses	85,075	72,886
Unearned revenue	10,550	52,584
Long-term debt	465,451	501,948
Deferred compensation liability	80,612	63,987
Total Liabilities	<u>650,785</u>	<u>697,178</u>
Net Assets:		
Net assets without donor restrictions:		
Undesignated	3,622,692	3,951,541
Board designated, endowment	266,370	231,246
Board designated, other	65,261	39,318
Total Net Assets without Donor Restrictions	<u>3,954,323</u>	<u>4,222,105</u>
Net assets with donor restrictions:		
Restricted by purpose or time	4,449,187	3,589,912
Restricted in perpetuity	3,573,891	3,541,267
Total Net Assets with Donor Restrictions	<u>8,023,078</u>	<u>7,131,179</u>
Total Net Assets	<u>11,977,401</u>	<u>11,353,284</u>
Total Liabilities and Net Assets	<u>\$ 12,628,186</u>	<u>\$ 12,050,462</u>

The accompanying notes to the financial statements are an integral part of these statements.

LINCOLN FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:						
Contributions	\$ 90,419	\$ 108,158	\$ 198,577	\$ 115,603	\$ 77,861	\$ 193,464
Rental income	564,471	-	564,471	528,507	-	528,507
Grants	-	347,849	347,849	-	588,500	588,500
Program fees	2,801	-	2,801	3,375	-	3,375
In-kind contributions	346	114,788	115,134	1,227	105,818	107,045
Special events, net	48,281	-	48,281	44,156	-	44,156
Investment return, net	256,947	1,011,390	1,268,337	(343,585)	(1,291,963)	(1,635,548)
Change in fair value of investments held in trust by others	-	9,400	9,400	-	(23,330)	(23,330)
Net assets released from restrictions	699,686	(699,686)	-	905,144	(905,144)	-
Total Revenues, Gains, and Other Support	1,662,951	891,899	2,554,850	1,254,427	(1,448,258)	(193,831)
Expenses:						
Educational programs	1,446,501	-	1,446,501	1,244,738	-	1,244,738
Supporting services						
Management and general	298,032	-	298,032	254,324	-	254,324
Fundraising expenses	186,200	-	186,200	177,585	-	177,585
Total Expenses	1,930,733	-	1,930,733	1,676,647	-	1,676,647
Changes in net assets	(267,782)	891,899	624,117	(422,220)	(1,448,258)	(1,870,478)
Net assets at beginning of year	4,222,105	7,131,179	11,353,284	4,644,325	8,579,437	13,223,762
Net assets at end of year	\$ 3,954,323	\$ 8,023,078	\$ 11,977,401	\$ 4,222,105	\$ 7,131,179	\$ 11,353,284

The accompanying notes to the financial statements are an integral part of these statements.

LINCOLN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	Educational Programs	Management and General	Fundraising	2023 Total	2022 Total
Expenses:					
Advertising and marketing	\$ 13,963	\$ 303	\$ 4,945	\$ 19,211	\$ 18,400
Bad debt expense	-	-	-	-	3,795
Bank and credit card fees	4,150	1,137	668	5,955	6,638
Banquets and receptions	11,501	-	-	11,501	7,242
Computer and technology	87,783	10,937	1,176	99,896	62,458
Depreciation	70,644	22,776	-	93,420	92,770
Dues and subscriptions	2,935	920	272	4,127	5,852
Educational programs	80,902	-	-	80,902	46,118
Field trips and transportation	6,245	-	-	6,245	6,262
Fundraising costs	-	-	8,243	8,243	3,815
Grants and scholarships	149,718	-	-	149,718	104,632
In-kind expense	114,834	300	-	115,134	107,045
Insurance	34,084	9,986	-	44,070	33,979
Interest expense	17,580	7,644	-	25,224	25,062
Miscellaneous expense	1,193	437	-	1,630	1,464
New hire expenses	583	-	-	583	879
Occupancy costs	33,004	9,666	48	42,718	36,802
Outside services	22,062	9,593	-	31,655	28,363
Program evaluations	18,375	-	-	18,375	16,500
Repairs and maintenance	26,516	7,457	-	33,973	37,189
Salaries and benefits	721,377	210,218	180,465	1,112,060	1,005,234
Supplies and postage	3,929	1,185	130	5,244	7,021
Telephone	12,118	4,027	-	16,145	17,043
Training and development	3,075	189	-	3,264	435
Travel and meals	9,930	1,257	353	11,540	7,676
	<u>1,446,501</u>	<u>298,032</u>	<u>196,300</u>	<u>1,940,833</u>	<u>1,682,674</u>
Less special event expense included in revenue	-	-	(10,100)	(10,100)	(6,027)
Total Expenses	<u>\$ 1,446,501</u>	<u>\$ 298,032</u>	<u>\$ 186,200</u>	<u>\$ 1,930,733</u>	<u>\$ 1,676,647</u>

The accompanying notes to the financial statements are an integral part of these statements.

LINCOLN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	<u>Educational Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Advertising and marketing	\$ 13,980	\$ 372	\$ 4,048	\$ 18,400
Bad debt expense	-	3,795	-	3,795
Bank and credit card fees	4,888	1,165	585	6,638
Banquets and receptions	7,242	-	-	7,242
Computer and technology	52,982	8,133	1,343	62,458
Depreciation	73,068	19,702	-	92,770
Dues and subscriptions	4,732	804	316	5,852
Educational programs	46,118	-	-	46,118
Field trips and transportation	6,262	-	-	6,262
Fundraising costs	-	-	3,815	3,815
Grants and scholarships	104,632	-	-	104,632
In-kind expense	105,818	500	727	107,045
Insurance	27,314	6,665	-	33,979
Interest expense	18,455	6,607	-	25,062
Miscellaneous expense	1,128	326	10	1,464
New hire expenses	831	48	-	879
Occupancy costs	29,302	7,453	47	36,802
Outside services	21,223	7,140	-	28,363
Program evaluations	16,500	-	-	16,500
Repairs and maintenance	34,285	2,904	-	37,189
Salaries and benefits	650,249	182,610	172,375	1,005,234
Supplies and postage	5,568	1,248	205	7,021
Telephone	13,303	3,740	-	17,043
Training and development	320	103	12	435
Travel and meals	6,538	1,009	129	7,676
	<u>1,244,738</u>	<u>254,324</u>	<u>183,612</u>	<u>1,682,674</u>
Less special event expense included in revenue	-	-	(6,027)	(6,027)
Total Expenses	<u>\$ 1,244,738</u>	<u>\$ 254,324</u>	<u>\$ 177,585</u>	<u>\$ 1,676,647</u>

The accompanying notes to the financial statements are an integral part of these statements.

LINCOLN FOUNDATION
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Changes in net assets	\$ 624,117	\$ (1,870,478)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Net realized and unrealized investment (gains) losses	(976,813)	1,892,630
Change in beneficial interest in charitable trust	(9,400)	23,330
Depreciation	93,420	92,770
Bad debt	-	3,795
Contributions restricted for endowment purposes	(13,548)	(60,131)
Changes in grants, pledges, and other receivables	125,074	(193,317)
Prepaid expenses	9,943	(35,156)
Other assets	(2,454)	(4,073)
Accounts payable and accrued expenses	15,513	(13,235)
Unearned revenue	(42,034)	13,483
Deferred compensation liability	16,625	15,044
Net cash flows from operating activities	<u>(159,557)</u>	<u>(135,338)</u>
Cash flows from investing activities:		
Change in investments, net	(28,824)	(2,965)
Purchases of property and equipment	(60,956)	(29,600)
Net cash flows from investing activities	<u>(89,780)</u>	<u>(32,565)</u>
Cash flows from financing activities:		
Payments on long-term debt	(36,497)	(30,409)
Proceeds from contributions restricted for endowment purposes	13,548	60,131
Net cash flows from financing activities	<u>(22,949)</u>	<u>29,722</u>
Change in cash, cash equivalents, and restricted cash	(272,286)	(138,181)
Cash, cash equivalents, and restricted cash beginning of year	1,056,705	1,194,886
Cash, cash equivalents, and restricted cash end of year	<u>\$ 784,419</u>	<u>\$ 1,056,705</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 25,224</u>	<u>\$ 25,062</u>
Statements of financial position and statements of cash flow cash, cash equivalents, and restricted cash reconciliation		
Cash and cash equivalents	\$ 689,060	\$ 973,430
Cash restricted for long-term purposes	95,359	83,275
Total cash, cash equivalents, and restricted cash	<u>\$ 784,419</u>	<u>\$ 1,056,705</u>

The accompanying notes to the financial statements are an integral part of these statements.

LINCOLN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1—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 the Lincoln Institute.

Today, Lincoln Foundation provides college preparatory and support programs for promising students from under-resourced households 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. The new College Transition Enrichment Program provides continued support, mentoring and coaching to Scholars through the four years of college. The goal of this new program is to help Scholars transition successfully for a successful freshman year in college and to matriculate towards earning a 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 400 students annually.

Recently, the Lincoln Foundation's signature program, the Whitney M. YOUNG Scholars Program® was expanded to serve students in grades 8 through the four years of college. The acronym YOUNG stands for Youth Organized to Understand New Goals. The 49 graduating Scholars in 2023 received scholarship awards of approximately \$11,619,000. Lincoln Foundation has partnered with colleges, universities and other organizations from across the region to provide unique summer learning experiences. These include Bellarmine University, University of Louisville, Berea College, University of Kentucky, and the Kentucky Science Center. These partnerships provided developmental and college readiness programs that include: The ACT Prep Program, The Digital Transformation Academy, Summer Institutes, Math and Science Programs, and the Summer Writing Program.

Note 2—Summary of significant accounting policies

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 ("U.S. GAAP"). The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative U.S. GAAP.

Accounting Estimate – 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.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Subsequent Events – Subsequent events for the Foundation have been considered through May 7, 2024 which represents the date which the financial statements were available to be issued.

Revenue Recognition – 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.

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.

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 of Directors 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.

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. Cash held for restricted purposes represents contributions received from donors restricted for a specific use.

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.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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 statements of activities. These fees totaled \$43,004 and \$44,715 for the years ended December 31, 2023 and 2022, 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.

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.

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 \$93,420 and \$92,770 for the years ended December 31, 2023 and 2022, respectively. The Foundation capitalizes property and equipment with a value of \$1,000 or greater. Lesser amounts are expensed.

Unearned Revenue – Unearned revenue primarily represents rental income received in advance.

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.

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 Digital Transformation Academy receive classroom space from the University of Louisville. Digital Transformation Academy 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.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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, with the most significant cost being salaries and benefits and depreciation.

Advertising Cost – Advertising cost are expensed as incurred. These expenses amounted to \$19,211 and \$18,400 for the years ended December 31, 2023 and 2022, respectively.

Recent Accounting Pronouncement – In June 2016, 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 statement of income 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 was adopted effective January 1, 2023 with no impact to the financial statements.

Reclassifications – Certain amounts were reclassified in the 2022 financial statements to correspond the 2023 classifications. The reclassifications had no impact on net assets or the change in net assets.

Note 3—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, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 689,060	\$ 973,430
Cash restricted for long-term purposes	95,359	83,275
Grants and pledges receivable, net	145,000	281,731
Other receivables	104,421	92,764
Investments	9,330,579	8,350,885
Investments - deferred compensation	65,261	39,318
Beneficial interest in charitable trust	101,184	91,784
Total financial assets	<u>10,530,864</u>	<u>9,913,187</u>
Less board designated reserves	(331,631)	(270,564)
Less amounts not available to be used within one year due to one year due to:		
Restricted by purpose or time	(4,449,187)	(3,589,912)
Restricted in perpetuity	(3,573,891)	(3,541,267)
Add endowment fund appropriations for following year	110,000	110,000
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,286,155</u>	<u>\$ 2,621,444</u>

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 4—Grants and pledges receivable

Grants and pledges receivable at December 31, 2023 and 2022 include the following:

	<u>2023</u>	<u>2022</u>
Total gross grants and pledges receivable		
Endowment	\$ -	\$ -
Operating	145,000	290,000
	<u>145,000</u>	<u>290,000</u>
Less unamortized discount	-	(8,269)
	<u>\$ 145,000</u>	<u>\$ 281,731</u>

Contributions receivable in future periods are discounted using a rate of 4.41%.

Gross pledges and grants receivable at December 31, 2023 are due according to the following schedule:

Less than 1 year	\$ 145,000	\$ 190,000
1 - 5 years	-	100,000
	<u>\$ 145,000</u>	<u>\$ 290,000</u>

Note 5—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 \$4,031 and \$6,908 for the years ended December 31, 2023 and 2022, respectively.

Note 6—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 THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 6—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.

Beneficial Interest in Charitable Trust – 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, 2023 and 2022.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2023:

Investments at Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 451,633	\$ -	\$ -	\$ 451,633
Mutual funds/exchange traded funds	8,944,207	-	-	8,944,207
	<u>\$ 9,395,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,395,840</u>

Other Assets at Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	\$ -	\$ -	\$ 101,184	\$ 101,184

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2022:

Investments at Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 426,823	\$ -	\$ -	\$ 426,823
Mutual funds/exchange traded funds	7,963,380	-	-	7,963,380
	<u>\$ 8,390,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,390,203</u>

Other Assets at Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	\$ -	\$ -	\$ 91,784	\$ 91,784

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 6—Fair value measurements (continued)

The following table reconciles the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended December 31, 2023 and 2022:

	December 31	
	2023	2022
Beneficial interest in charitable trust:		
Beginning balance	\$ 91,784	\$ 115,114
Change in value	9,400	(23,330)
Ending balance	<u>\$ 101,184</u>	<u>\$ 91,784</u>

Note 7—Property and equipment

Property and equipment consist of the following at December 31, 2023 and 2022:

	2023	2022
Land and improvements *	\$ 821,332	\$ 821,332
Buildings and improvements	3,124,519	3,122,320
Office equipment	165,135	107,517
Computers, software, and telephone	127,509	126,370
	4,238,495	4,177,539
Less accumulated depreciation	2,201,166	2,107,746
	<u>\$ 2,037,329</u>	<u>\$ 2,069,793</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 2), this parcel of land is valued at fair value at the time of the donation which was \$256,639. It is the Foundation's understanding that the current fair value is significantly greater than the amount reflected in the financial statements.

Note 8—Debt

The Foundation has a note payable of \$548,500 for the purpose of refinancing existing debt. Monthly installment payments of \$3,487, including interest at 4.49%, commenced August 2019 with a balloon payment of \$455,840 due in June 2024. The debt was refinanced in June 2022, with monthly installment payments of \$3,942 including interest at 5.05%, with a balloon payment of \$212,220 due June 2032. The note payable is secured by liens on real estate. The note payable has an outstanding balance at December 31, 2023 and 2022 of \$460,281 and \$483,377, respectively.

The Foundation financed a new roof for the Bishop Lane property in the amount of \$30,000. The interest rate on the note is based on the Wall Street Prime Rate with a floor of 3% and interest only payments due monthly with a balloon payment at maturity on October 7, 2024. The debt is secured by liens on real estate. The note payable has an outstanding balance at December 31, 2023 and 2022 of \$5,170 and \$18,571, respectively.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 8—Debt (continued)

Expected maturities of the note payable are as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2024	\$ 29,825
2025	25,931
2026	27,271
2027	28,680
2028	30,163
Thereafter	323,581
	<u>\$ 465,451</u>

Note 9—Endowment funds

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. The Foundation considers the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

At December 31, 2022, the Foundation had one fund with an original endowment gift amount of \$268,359 and a fair value of \$258,684 for a deficiency of \$9,676. There were no endowment funds with deficiencies at December 31, 2023.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 9—Endowment funds (continued)

Changes in the endowment net assets for the year ended December 31, 2023 and 2022 are as follows:

	December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 231,246	\$ 6,842,222	\$ 7,073,468
Investment return, net	35,124	1,019,088	1,054,212
Contributions	-	13,548	13,548
Appropriation for expenditures	-	(171,848)	(171,848)
Endowment net assets, end of year	<u>\$ 266,370</u>	<u>\$ 7,703,010</u>	<u>\$ 7,969,380</u>

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 298,608	\$ 8,221,224	\$ 8,519,832
Investment return, net	(47,362)	(1,313,607)	(1,360,969)
Contributions	-	60,131	60,131
Appropriation for expenditures	(20,000)	(125,526)	(145,526)
Endowment net assets, end of year	<u>\$ 231,246</u>	<u>\$ 6,842,222</u>	<u>\$ 7,073,468</u>

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 7% 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 5). The investment and distribution policies for this trust are determined by the independent trustee, not the Foundation.

The Foundation had no borrowings from the Endowment Fund at December 31, 2023 or 2022.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 10—Net assets restricted by purpose or time

Net assets restricted by purpose or time at December 31, 2023 and 2022 are available for the following:

	<u>2023</u>	<u>2022</u>
J. Graham Brown Foundation Challenge		
Endowment and Foundation's Match	\$ 3,215,359	\$ 2,783,937
Whitney M. YOUNG Scholars Program® Endowment	548,413	231,983
Mae Street Kidd Scholarship Endowment	203,996	172,469
College Transition Enrichment Program®	153,710	-
Whitney M. YOUNG Scholars Program®	153,666	281,731
Whitney M. Young, Jr. Memorial House	129,654	112,550
Dr. Samuel Robinson Scholarship Endowment	29,616	-
Angie V. McDonald Scholarship Fund	6,317	5,444
John Baxter Hitt	6,374	1,783
Eckstein Norton Scholarships	2,082	15
	<u>\$ 4,449,187</u>	<u>\$ 3,589,912</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 \$2,783,937 over the years, net of approximately \$1,304,343 in scholarships, which have been paid to students from this endowment. The Whitney M. Young Scholars Program® is restricted for education programs for grades 8-12. 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, the Angie V. McDonald Scholarship Fund, and the John Baxter Hitt Fund are restricted for scholarships and education programs. The administrative restriction is primarily restricted for the purchase of computers for the Foundation.

Note 11—Net assets restricted in perpetuity

Net assets restricted in perpetuity at December 31, 2023 and 2022, represent the following:

	<u>2023</u>	<u>2022</u>
Whitney M. Young Scholars Program® Endowment	\$ 1,955,069	\$ 1,955,069
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	268,359	258,683
Beneficial Interest in Charitable Trust	101,184	91,784
Whitney M. Young Memorial Endowment	100,000	100,000
Mae Street Kidd Scholarship Endowment	76,600	76,600
Eckstein Norton Scholarships	72,679	59,131
	<u>\$ 3,573,891</u>	<u>\$ 3,541,267</u>

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 11—Net assets restricted in perpetuity (continued)

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, 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 12—Concentrations

Approximately 28% of the Foundation's contributions were from one donor in 2023. Approximately 97% of the Foundation's grants and pledges receivable at December 31, 2023 are from two donors.

Approximately 50% of the Foundation's contributions were from two donors in 2022. One hundred percent of the Foundation's grants and pledges receivable at December 31, 2022 are from three donors.

Note 13—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, 2023 and 2022 were \$20,333 and \$19,588, respectively.

Note 14—Deferred compensation plans

The Foundation has non-qualified tax deferred compensation plans for selected key employees. The contributions from the Foundation total \$17,600 and \$16,000, respectively, in 2023 and 2022. 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.

The Foundation has designated \$65,261 of unrestricted net assets to fund these payments.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 15—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 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 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, 2023 and 2022, \$504,409 and \$469,218, 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 CPI. 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 \$11,509 for each of the years ended December 31, 2023 and 2022.

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 ten five-year renewable terms at an annual rent of \$24,000 which commenced 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 2023 and 2022 were \$26,553 and \$25,780, respectively. This lease is for land used by AT&T for a communications tower.

Agricultural Rental Income – In February 2009, the Foundation signed a three-year agreement with a farmer to lease 200 acres of land for single cropped fields and 25 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, singled cropped, for an additional five years at \$22,000 per annum for single cropped fields. The lease includes a two-year option from 2024 to 2026 at \$25,600 per annum. During both the years ended December 31, 2023 and 2022, \$22,000 was received in rental income.

Minimum future rental income on these leases as of December 31, 2023 is as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 62,300
2025	53,770
2026	37,549
	<u>\$ 153,619</u>

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 16—Special events

Revenues and expenses for fundraising events during the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Give 4 Good		
Revenues	\$ 49,254	\$ 49,933
Expenses	(4,842)	(6,027)
	<u>\$ 44,412</u>	<u>\$ 43,906</u>
KY Gives Day		
Revenues	\$ 9,127	\$ 250
Expenses	(5,258)	-
	<u>\$ 3,869</u>	<u>\$ 250</u>
	<u>\$ 48,281</u>	<u>\$ 44,156</u>

Note 17—In-kind contributions

Donated services, supplies and property are shown as gifts, valued at their estimated fair value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation. A number of volunteers have given significant amounts of their time for the operations of the Foundation throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

The Foundation received the following contributions of nonfinancial assets as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Facilities use	\$ 52,587	\$ 45,641
Services, programs and instructors	30,248	30,282
Meals and food, travel	19,545	19,201
Supplies	9,292	6,376
Other	3,462	5,545
	<u>\$ 115,134</u>	<u>\$ 107,045</u>

The Foundation receives a variety of donated goods and services related to the support of the Foundation's mission. Facilities use and services are valued at the cost the facility use or service would have cost the Foundation if they had paid for it. Materials, supplies, and other are valued at the cost the donor paid for the items, for new items, and an estimated fair value for used items. There were no donor-imposed restrictions associated with donated goods.

LINCOLN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 18—Educational programs

The Foundation's educational programs' expenses for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Whitney M. YOUNG Scholars Program	\$ 1,202,397	\$ 1,041,860
Digital Transformation Academy	62,281	46,118
Math & Science Program	43,346	38,998
Educational Opportunity Scholarship	12,539	11,939
College Enrichment Transition Program	125,938	105,823
	<u>\$ 1,446,501</u>	<u>\$ 1,244,738</u>

Note 19—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.