

LINCOLN

**FINANCIAL STATEMENTS
and
SUPPLEMENTAL SCHEDULE**

JUNE 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lincoln

Report on the Financial Statements

We have audited the accompanying financial statements of Lincoln (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2019 and 2018, and the related Statements of Activities, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln as of June 30, 2019, and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Statement of Expenditures of County of Alameda Grants, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2020, on our consideration of Lincoln's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lincoln's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln's internal control over financial reporting and compliance.

Harrington Group

Oakland, California

January 17, 2020

LINCOLN

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 81,297	\$ 51,297
Accounts receivable, net of allowance of \$82,778	3,318,653	2,939,663
Pledges receivable (Note 4)	35,000	35,000
Prepaid expenses	194,548	194,260
Total current assets	3,629,498	3,220,220
NON-CURRENT ASSETS		
Intangible asset (Note 5)	229,144	261,863
Investments (Note 6)	10,831,623	10,185,125
Property and equipment (Note 8)	1,700,496	1,751,082
Receivable from split-interest agreement (Note 9)	1,506,660	1,341,642
Total non-current assets	14,267,923	13,539,712
Total assets	\$ 17,897,421	\$ 16,759,932
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 202,615	\$ 193,914
Accrued liabilities (Note 10)	1,808,485	1,569,509
Line of credit (Note 11)	390,000	-
Total current liabilities	2,401,100	1,763,423
Total liabilities	2,401,100	1,763,423
NET ASSETS		
Without donor restrictions		
Undesignated	2,947,256	2,923,324
Designated by the Board for endowment (Note 14)	6,890,338	6,362,153
Total without donor restrictions	9,837,594	9,285,477
With donor restrictions		
Purpose restrictions (Note 13)	2,847,792	2,900,097
Perpetual in nature (Note 14)	2,810,935	2,810,935
Total with donor restrictions	5,658,727	5,711,032
Total net assets	15,496,321	14,996,509
Total liabilities and net assets	\$ 17,897,421	\$ 16,759,932

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

LINCOLN

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018

	Year ended June 30, 2019			Year ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Program revenues (Note 15)	\$ 18,742,130	\$ -	\$ 18,742,130	\$ 19,878,822	\$ -	\$ 19,878,822
Contributions	1,118,534	887,900	2,006,434	394,762	1,201,729	1,596,491
Special events	217,178		217,178	201,866		201,866
Interest and dividends	100,379	96,639	197,018	156,502	36,152	192,654
Other revenue	14,396		14,396	10,929		10,929
In-kind contributions (Note 2)			-	10,150		10,150
Net assets released from restrictions (Note 13)	1,372,217	(1,372,217)	-	977,230	(977,230)	-
TOTAL REVENUE AND SUPPORT	<u>21,564,834</u>	<u>(387,678)</u>	<u>21,177,156</u>	<u>21,630,261</u>	<u>260,651</u>	<u>21,890,912</u>
EXPENSES						
Program services	18,310,808		18,310,808	19,111,884		19,111,884
Support services	3,064,867		3,064,867	3,463,690		3,463,690
TOTAL EXPENSES	<u>21,375,675</u>	<u>-</u>	<u>21,375,675</u>	<u>22,575,574</u>	<u>-</u>	<u>22,575,574</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	189,159	(387,678)	(198,519)	(945,313)	260,651	(684,662)
OTHER CHANGES						
Net gain on investments	362,958	170,355	533,313	269,623	186,065	455,688
Change in value of split-interest agreement		165,018	165,018		136,131	136,131
CHANGE IN NET ASSETS	552,117	(52,305)	499,812	(675,690)	582,847	(92,843)
NET ASSETS, BEGINNING OF YEAR	<u>9,285,477</u>	<u>5,711,032</u>	<u>14,996,509</u>	<u>9,961,167</u>	<u>5,128,185</u>	<u>15,089,352</u>
NET ASSETS, END OF YEAR	<u>\$ 9,837,594</u>	<u>\$ 5,658,727</u>	<u>\$ 15,496,321</u>	<u>\$ 9,285,477</u>	<u>\$ 5,711,032</u>	<u>\$ 14,996,509</u>

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

LINCOLN

STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2019 and 2018

	Year ended June 30, 2019					Year ended June 30, 2018				
	Total Program Services	Support Services		Total Support Services	Total Expenses	Total Program Services	Support Services		Total Support Services	Total Expenses
		Management and General	Fundraising				Management and General	Fundraising		
Salaries	\$ 12,231,237	\$ 1,240,644	\$ 311,860	\$ 1,552,504	\$ 13,783,741	\$ 12,363,500	\$ 1,396,519	\$ 360,043	\$ 1,756,562	\$ 14,120,062
Payroll taxes and benefits	3,217,305	232,072	64,620	296,692	3,513,997	3,292,892	259,210	64,828	324,038	3,616,930
Total personnel costs	15,448,542	1,472,716	376,480	1,849,196	17,297,738	15,656,392	1,655,729	424,871	2,080,600	17,736,992
Professional fees	549,379	272,129	191,550	463,679	1,013,058	824,724	428,825	80,068	508,893	1,333,617
Occupancy	776,808	147,397	19,814	167,211	944,019	782,682	80,000	22,299	102,299	884,981
Office expenses	381,154	206,988	51,428	258,416	639,570	415,087	194,270	55,166	249,436	664,523
Client-related expenses	589,903	4,156	39,104	43,260	633,163	685,781	507	11,996	12,503	698,284
Depreciation and amortization	277,207	117,869	9,181	127,050	404,257	326,398	96,439	11,283	107,722	434,120
Staff development	80,730	112,994	3,191	116,185	196,915	141,449	55,531	113,146	168,677	310,126
Transportation	105,434	23,800	1,022	24,822	130,256	126,885	30,631	1,392	32,023	158,908
Insurance and taxes	101,406	12,956	1,895	14,851	116,257	141,936	18,383	3,693	22,076	164,012
Other	245	197		197	442	400	46,972	4,525	51,497	51,897
Bad debts	-			-	-	-	127,964		127,964	127,964
In-kind expenses	-			-	-	10,150			-	10,150
TOTAL FUNCTIONAL EXPENSES	\$ 18,310,808	\$ 2,371,202	\$ 693,665	\$ 3,064,867	\$ 21,375,675	\$ 19,111,884	\$ 2,735,251	\$ 728,439	\$ 3,463,690	\$ 22,575,574

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

LINCOLN

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2019 and 2018

continued

	Program Services				Total Program Services	
	Community and School Based Programs	Training	Kinship	Other Programs	2019	2018
Salaries	\$ 10,715,068	\$ 162,877	\$ 361,396	\$ 991,896	\$ 12,231,237	\$ 12,363,500
Payroll taxes and benefits	2,806,066	40,015	135,611	235,613	3,217,305	3,292,892
Total personnel costs	13,521,134	202,892	497,007	1,227,509	15,448,542	15,656,392
Professional fees	215,833	105,032	2,643	225,871	549,379	824,724
Occupancy	658,303	10,437	65,677	42,391	776,808	782,682
Office expenses	295,954	4,431	11,322	69,447	381,154	415,087
Client-related expenses	465,884	282	13,239	110,498	589,903	685,781
Depreciation and amortization	255,581	4,858	4,089	12,679	277,207	326,398
Staff development	60,722	2,578	3,769	13,661	80,730	141,449
Transportation	88,955	2,694	3,481	10,304	105,434	126,885
Insurance and taxes	87,477	999	3,980	8,950	101,406	141,936
Other	183			62	245	400
Bad debts					-	-
In-kind expenses					-	10,150
TOTAL FUNCTIONAL EXPENSES	\$ 15,650,026	\$ 334,203	\$ 605,207	\$ 1,721,372	\$ 18,310,808	\$ 19,111,884

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

LINCOLN

STATEMENTS OF CASH FLOWS For the years ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 499,812	\$ (92,843)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	404,257	434,120
Net (gain) on investments	(533,313)	(455,688)
Reinvested interest and dividends	(197,018)	(192,654)
Change in value of split-interest agreement	(165,018)	(136,131)
Change in allowance for doubtful account	(79,335)	115,213
(Increase) decrease in operating assets:		
Accounts receivable	(299,655)	404,078
Pledges receivable	-	11,757
Prepaid expenses	(288)	(37,789)
Intangible asset	32,719	
Increase (decrease) in operating liabilities:		
Accounts payable	8,701	(5,677)
Accrued liabilities	238,976	61,267
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(90,162)	105,653
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(353,671)	(122,701)
Purchase of investments	(404,889)	(406,010)
Proceeds from sales of investments	488,722	971,572
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(269,838)	442,861
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	(7,485,000)	(8,506,000)
Proceeds from borrowings on line of credit	7,875,000	7,876,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	390,000	(630,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,000	(81,486)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,297	132,783
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 81,297	\$ 51,297
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid of:	\$ 32,156	\$ 39,449

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

1. Organization

Lincoln is a not-for-profit agency founded in 1883 as the first racially integrated orphanage in Northern California. Since its founding, Lincoln has impacted the lives of children and families through evolving programs. Today, Lincoln provides preventative, individualized, and comprehensive support services with a focus on three core areas that disrupt cycles of poverty and trauma:

- Education – Addressing obstacles that impact educational engagement, attendance and achievement;
- Family – Strengthening stability and creating permanency; and
- Well-Being – Improving youth outlook and future readiness.

Every day, Lincoln provides real solutions to the unique issues children, youth and families face in communities throughout our region. Lincoln goes where children and youth are, helping them to develop skills to stay at home and in school. Teams of skilled and diverse staff work together with youth and families to utilize their strengths to build a plan for success. With this critical support, children, youth, and families thrive and build bold futures. Only Lincoln has the culturally relevant, adaptive approach that meets the needs of children and families.

Lincoln provides a unique array of comprehensive programs and services for some of the Bay Area's most vulnerable populations. 90% of families served have income levels at or below the poverty level; 36% are African American, 30% are Hispanic/Latino, 8% are Caucasian, 7% are Asian/Pacific Islander, 1% are Native American, 1% are Multi- or Bi-racial, and 17% are other or no indication.

Lincoln provides children with supports and services as young as possible and makes a continuum of programs available during their school years and through graduation from high school. Lincoln further ensures children's success by providing services to strengthen and engage their family and community. This is how *Lincoln disrupts the cycle of poverty and trauma, empowering children and families to build strong futures*. Lincoln's unique multi-generational model sets a new standard of support that changes lives.

Fundraising strategies include an annual campaign, one annual major fundraising event, direct mail appeals, and the ongoing submission of grant proposals to foundations, corporations, and government sources. Annual income comes from these sources as well as program fees, investment spending, and earned interest.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from the net assets without donor restrictions, net assets from the endowment fund.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. The allowance represents an estimated amount of accounts receivable estimated to be potentially uncollectible.

Investments

Lincoln values its investment at fair value. Unrealized and realized gain or loss (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or loss on investments.

Short-term highly liquid money market deposits which are not used for operations are treated as investments.

2. Summary of Significant Accounting Policies, continued**Contributions and Pledges Receivable**

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 fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management provides an allowance for doubtful accounts receivable that is based on a review of outstanding receivables, historic collection information, and existing economic conditions.

Concentration of Credit Risks

Lincoln places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Lincoln has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2019 and 2018, consists of government contract receivables due from county, state, federal granting agencies. Concentrations of credit risks with respect to trade receivables are limited, as the majority of Lincoln's receivables consist of earned fees from contract programs granted by governmental agencies.

Lincoln holds investments in the form of mutual funds, corporate bonds and common stocks of publicly held companies, as well as U.S. Governmental debt securities. The Board of Directors routinely reviews the allocation of such investments.

Approximately 86% and 88% of revenue and support generated by Lincoln for the years ended June 30, 2019 and 2018 respectively were related to government contracts.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Lincoln is required to measure pledged contributions, split interest agreements, certain investments, and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relates to each element.

2. Summary of Significant Accounting Policies, continued**Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The fair value of donated materials and services has been measured on a non-recurring basis using quoted prices of similar assets in inactive markets (Level 2 inputs). For the years ended June 30, 2019 and 2018, Lincoln received in-kind contributions of \$0 and \$10,150, respectively.

Income Taxes

Lincoln is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Lincoln in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Lincoln's returns are subject to examination by federal and state taxing authorities, generally for three and four years respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing fiscal sponsorship by Lincoln have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Lincoln primarily uses units of service, full-time equivalents, or square footage to allocate indirect costs.

Use of 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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies, continued**Recently Adopted Accounting Pronouncement**

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Lincoln's financial statements for the years ended June 30, 2019 and 2018 are presented in accordance with ASU 2016-14.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Lincoln's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 17, 2020, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

Lincoln regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Lincoln has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Lincoln considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising, and investments.

LINCOLN

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

The Finance Committee of the Board of Directors meets monthly to review all financial aspects of the organization and meets annually with Lincoln's financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, Lincoln operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 81,297
Accounts receivable	2,860,812
Pledges receivable	35,000
Investments	<u>10,831,623</u>
Total financial assets	13,808,732
Less: Donor restricted funds – time and purpose	(2,847,792)
Donor restricted funds – perpetual in nature	(2,810,935)
Board designated funds	<u>(6,890,338)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,259,667</u>

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at June 30, 2019 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2019. Total amount of pledges receivable is \$35,000 as of June 30, 2019 and are expected to be collected within one year. There were pledges receivables of \$35,000 at June 30, 2018.

5. Intangible Asset

Lincoln started its rebranding in 2015 from its former name, "Lincoln Child Center" to eliminate the misconception associated with the "Child Center" connotation, whereby the public often perceived that Lincoln provided childcare services (i.e. day care center).

Lincoln has determined that the rebranding costs incurred would result in future economic benefits such as securing new contracts for the provision of services to all age groups other than just children, which would include teens, youths, adults and seniors. As such, Lincoln has recorded these costs as an intangible asset and will be amortized once all rebranding work has been wholly completed. Lincoln started amortizing this intangible asset in 2017 over a period of 10 years. The fair value of the Intangible Asset at June 30, 2019 and 2018 was \$229,144 and \$261,863, respectively.

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

6. Investments

Investments at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Equities	\$ 4,844,693	\$ 4,717,022
Fixed income	2,423,044	2,482,068
Money market funds	1,436,920	1,291,035
Exchange traded funds	1,379,654	911,144
Mutual funds	<u>747,312</u>	<u>783,856</u>
	<u>\$10,831,623</u>	<u>\$10,185,125</u>

Investment income on the Statement of Activities for the years ended June 30, 2019 and 2018 is shown net of management fees of \$64,319 and \$65,451, respectively.

7. Fair Value Measurements

The table below presents the balances of the respective components of the assets or liabilities measured at fair value at June 30, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2019</u>				
Equities				
Technology	\$1,040,832	\$ -	\$ -	\$ 1,040,832
Healthcare	994,145			994,145
Consumer goods	962,890			962,890
Financial services	961,901			961,901
Energy	379,248			379,248
Industrial goods	349,077			349,077
Utilities	<u>156,600</u>			<u>156,600</u>
Total equities	<u>4,844,693</u>	<u>-</u>	<u>-</u>	<u>4,844,693</u>
Fixed income				
Government securities		888,063		888,063
Corporate bonds		804,277		804,277
Municipal bonds		465,622		465,622
Agency securities		259,136		259,136
Mortgage pools		<u>5,946</u>		<u>5,946</u>
Total fixed income	<u>-</u>	<u>2,423,044</u>	<u>-</u>	<u>2,423,044</u>

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Foreign large blend	432,218			432,218
Healthcare	332,746			332,746
Financial services	139,995			139,995
Technology	131,241			131,241
Real estate	126,730			126,730
Energy	79,073			79,073
Regional Miscellaneous	75,735			75,735
Corporate bonds		56,812		56,812
Diversified emerging markets	5,104			5,104
Total exchange traded funds	<u>1,322,842</u>	<u>56,812</u>	<u>-</u>	<u>1,379,654</u>
Mutual funds				
Foreign large cap	<u>747,312</u>	<u>-</u>	<u>-</u>	<u>747,312</u>
Total foreign large cap	<u>747,312</u>	<u>-</u>	<u>-</u>	<u>747,312</u>
Money market funds	<u>1,436,920</u>	<u>-</u>	<u>-</u>	<u>1,436,920</u>
Total investments	<u>8,351,767</u>	<u>2,479,856</u>	<u>-</u>	<u>10,831,623</u>
Split-interest agreement	<u>-</u>	<u>1,506,660</u>	<u>-</u>	<u>1,506,660</u>
Fair value at June 30, 2019	<u>\$8,351,767</u>	<u>\$3,986,516</u>	<u>\$-</u>	<u>\$12,338,283</u>
<u>June 30, 2018</u>				
Equities				
Technology	\$1,122,583	\$-	\$-	\$ 1,122,583
Financial services	840,659			840,659
Consumer goods	809,548			809,548
Healthcare	728,701			728,701
Energy	615,393			615,393
Industrial goods	484,876			484,876
Utilities	<u>115,262</u>	<u>-</u>	<u>-</u>	<u>115,262</u>
Total equities	<u>4,717,022</u>	<u>-</u>	<u>-</u>	<u>4,717,022</u>
Fixed income				
Corporate bonds		1,080,546		1,080,546
Government securities		615,725		615,725
Municipal bonds		524,418		524,418
Agency securities		253,129		253,129
Mortgage pools		8,250		8,250
Total fixed income	<u>-</u>	<u>2,482,068</u>	<u>-</u>	<u>2,482,068</u>

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Foreign large blend	439,942			439,942
Healthcare	319,310			319,310
Financial services	149,938			149,938
Technology	122,100			122,100
Real estate	118,105			118,105
Regional miscellaneous	80,946			80,946
Corporate bonds		53,504		53,504
Diversified emerging markets	5,064			5,064
Energy	<u>2,126</u>			<u>2,126</u>
Total exchange traded funds	<u>1,237,531</u>	<u>53,504</u>	<u>-</u>	<u>1,291,035</u>
Mutual funds				
Foreign large cap	<u>783,856</u>			<u>783,856</u>
Money market funds	<u>911,144</u>	<u>-</u>	<u>-</u>	<u>911,144</u>
Total investments	<u>7,649,553</u>	<u>2,535,572</u>	<u>-</u>	<u>10,185,125</u>
Split-interest agreement	<u>-</u>	<u>1,341,642</u>	<u>-</u>	<u>1,341,642</u>
Fair value at June 30, 2019	<u>\$7,649,553</u>	<u>\$3,877,214</u>	<u>\$-</u>	<u>\$11,526,767</u>

The fair value of investment components has been measured on a recurring basis using quoted prices in active markets for identical assets (Level 1 inputs) and quoted prices in active or inactive markets for the same or similar assets (Level 2 inputs).

The fair value of the split-interest agreement has been measured on a recurring basis by calculating the present value of future distributions expected to be received, using published life expectancy and a 7.75% discount rate (Level 2 inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2019</u>				
In-kind contributions	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
<u>June 30, 2018</u>				
In-kind contributions	<u>\$-</u>	<u>\$10,150</u>	<u>\$-</u>	<u>\$10,150</u>

The fair value of in-kind contributions has been measured on a non-recurring basis using quoted prices for similar services and assets in inactive markets (Level 2 inputs).

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

8. Property and Equipment

Property and equipment at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 3,060,706	\$ 3,048,505
Furniture and equipment	181,488	181,488
Automobiles	26,109	87,103
Software	434,171	328,739
Construction in progress	<u>281,683</u>	<u>53,776</u>
	3,984,157	3,699,611
Less: accumulated depreciation	<u>(2,283,661)</u>	<u>(1,948,529)</u>
	<u>\$ 1,700,496</u>	<u>\$ 1,751,082</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 were \$404,257 and \$434,120 respectively.

9. Split-Interest Agreement

Lincoln holds a remainder interest in an irrevocable split-interest agreement. The fair value for the contribution receivable from a beneficial interest in a charitable remainder trust within the Level 2 inputs is determined by calculating the present value of the future distributions expected to be received, using published life expectancy table and discount rate of 7.75%. These agreements are valued at net present value at June 30, 2019 and 2018, based on Internal Revenue Service guidelines as follows:

	<u>2019</u>		<u>2018</u>	
	Significant		Significant	
	Other Observable		Other Observable	
	<u>Fair Value</u>	<u>Assets (Level 2)</u>	<u>Fair Value</u>	<u>Assets (Level 2)</u>
A charitable remainder trust naming Lincoln as a beneficiary with a 22.22% interest. Lincoln does not have possession of the assets or control of the trust administration.	<u>\$1,506,660</u>	<u>\$1,506,660</u>	<u>\$1,341,642</u>	<u>\$1,341,642</u>

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

10. Accrued Liabilities

Accrued liabilities at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Accrued vacation	\$ 680,070	\$ 647,820
Accrued payroll, taxes, and benefits	674,449	468,361
Other accrued liabilities	447,519	438,826
Accrued unemployment liability	<u>6,447</u>	<u>14,502</u>
	<u>\$1,808,485</u>	<u>\$1,569,509</u>

Lincoln has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2019 and 2018, of \$6,447 and \$14,502, respectively, represents estimated future claims arising from payroll paid to date. Unemployment expense for the years ended June 30, 2019 and 2018 were \$32,440 and \$91,070, respectively.

11. Line of Credit

Lincoln has a revolving line of credit with Wells Fargo Bank, in the amount of \$1,500,000, at an interest rate equal to the bank's prime rate plus 1.5% due April, 2020. Interest rates at June 30, 2019 and 2018 were 6.50% and 4.25% with maturity dates of April 2020 and March, 2019, respectively. At June 30, 2019, the outstanding balance was \$390,000. There was no outstanding balance on the line of credit at June 30, 2018.

12. Commitments and Contingencies

Obligations Under Operating Leases

Lincoln leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2020	\$ 521,009
2021	472,935
2022	486,347
2023	433,928
2024	392,957
Thereafter	<u>127,349</u>
	<u>\$2,434,525</u>

Rent and equipment lease expenses under operating leases for the years ended June 30, 2019 and 2018 were \$634,073 and \$572,285, respectively.

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

12. Commitments and Contingencies, continued

Contracts

Lincoln's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Lincoln has no provisions for the possible disallowance of program costs on its financial statements.

13. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Florence French Trust/Darrow & Helen Chase Trust	\$1,506,660	\$1,341,642
Endowment Fund	1,130,350	1,012,037
Other funds - various programs	107,000	432,636
Philip Harley Memorial Fund	95,473	95,473
Voyles Fund	8,309	18,309
	<u>\$2,847,792</u>	<u>\$2,900,097</u>

For the years ended June 30, 2019 and 2018, net assets released for purpose restrictions were \$2,003,428 and \$977,230 respectively.

14. Net Assets With Donor Restrictions – Perpetual in Nature (Endowment)

Net assets with donor restrictions-that are perpetual in nature represent contributions which the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends wherefrom may be expended for unrestricted purposes. At June 30, 2019 and 2018, net assets with donor restrictions that were perpetual in nature were \$2,810,935.

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization and also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds).

Lincoln's Endowment Fund is held in its investment funds with Charles Schwab. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LINCOLN

NOTES TO FINANCIAL STATEMENTS

14. Net Assets With Donor Restrictions – Perpetual in Nature (Endowment), continued

Lincoln classifies as net assets restricted in perpetuity, (a) the original value of the gifts to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) 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 fund that is not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions by purpose, until those amounts are appropriated for expenditure by Lincoln.

Investment Objectives, Asset Allocation, and the Disbursement Policy

Lincoln has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Lincoln has a moderate risk tolerance, with a goal of steadily increasing the corpus of the endowment funds over an extended period of time in a way that is consistent with the desired level of risk.

Lincoln's spending policy is anticipated to be withdrawals that will not result in the value of the portfolio being reduced to below the permanently restricted net assets and will be 5% of the average market value calculated from the prior twelve quarter-end balances (3-year trailing value).

Endowment net assets composition by type of fund as of June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
<u>June 30, 2019</u>			
Board designated endowment funds	\$6,890,338	\$ -	\$ 6,890,338
Donor-restricted endowment		<u>3,941,285</u>	<u>3,941,285</u>
Endowment net assets, end of year	<u>\$6,890,338</u>	<u>\$3,941,285</u>	<u>\$10,831,623</u>
<u>June 30, 2018</u>			
Board designated endowment funds	\$6,362,153	\$ -	\$ 6,362,153
Donor-restricted endowment		<u>3,822,972</u>	<u>3,822,972</u>
Endowment net assets, end of year	<u>\$6,362,153</u>	<u>\$3,822,972</u>	<u>\$10,185,125</u>

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

14. Net Assets With Donor Restrictions – Perpetual in Nature (Endowment), continued

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
<u>June 30, 2019</u>			
Endowment net assets, beginning of year	\$6,362,153	\$3,822,972	\$10,185,125
Interest and dividend	100,379	96,639	197,018
Investment returns	362,958	170,355	533,313
Investment expended	<u>64,848</u>	<u>(148,681)</u>	<u>(83,833)</u>
Endowment net assets, end of year	<u>\$6,890,338</u>	<u>\$3,941,285</u>	<u>\$10,831,623</u>
<u>June 30, 2018</u>			
Endowment net assets, beginning of year	\$6,352,887	\$3,749,458	\$10,102,345
Interest and dividend	156,502	36,152	192,654
Investment returns	269,623	186,065	455,688
Investment expended	<u>(416,859)</u>	<u>(148,703)</u>	<u>(565,562)</u>
Endowment net assets, end of year	<u>\$6,362,153</u>	<u>\$3,822,972</u>	<u>\$10,185,125</u>

Lincoln's endowment funds at June 30, 2019 consist of the following:

Without donor restrictions – board designated	\$ 6,890,338
With donor restrictions – perpetual in nature	2,810,935
With donor restrictions – purpose	<u>1,130,350</u>
Total endowment funds	<u>\$10,831,623</u>

Endowment net assets at June 30, 2019 and 2018 consist of the following investment portfolios held with Charles Schwab:

	<u>2019</u>	<u>2018</u>
Facilities Fund	\$ 3,166,825	\$ 2,741,095
Conyes Fund	2,476,716	2,432,727
2 nd Century Fund	2,349,812	2,298,395
Edoff Fund	1,495,086	1,433,794
General Fund	1,246,796	1,188,331
Siegmund Fund	<u>96,388</u>	<u>90,783</u>
	<u>\$10,831,623</u>	<u>\$10,185,125</u>

Investment earnings including gains and losses on the Edoff and Siegmund Funds are temporarily restricted for use in educational instruction and activities for the children at Lincoln. Investment earnings on the Facilities, Conyes, General and 2nd Century Funds may be used for general operations.

continued

LINCOLN

NOTES TO FINANCIAL STATEMENTS

15. Program Service Fees from Government Agencies/Contracts and Grants

Program service fees from government agencies/contracts and grants for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Community-based services	\$17,497,441	\$18,289,732
Other government grants	706,920	731,674
Other programs	<u>537,769</u>	<u>857,416</u>
	<u>\$18,742,130</u>	<u>\$19,878,822</u>

16. Employee Benefit Plan

Lincoln has a defined contribution plan available to substantially all employees. Employer contributions for non-union employees are based on tenure and range from 5% to 9%. Lincoln makes matching contributions up to a maximum of 5% for union employees. Employer contributions under this plan for the years ended June 30, 2019 and 2018 were \$510,671 and \$568,626, respectively.

SUPPLEMENTAL SCHEDULE

LINCOLN

STATEMENT OF EXPENDITURES OF COUNTY OF ALAMEDA GRANTS
For the year ended June 30, 2019

Helping Open Pathways to Education (HOPE)

	Bridge Academy (ACOE)	Esperanza/Korematu Discovery Academics	Laurel Elementary	Fruitvale Elementary	New Highland Academy & RISE Community School	Sankofa Elementary	Oakland Technical High School	Grass Valley Elementary	La Escuelita Elementary School/Met West High School	Vincent Academy Charter School	Oakland High School	Skyline High School	Total
	RU#01P91	RU# 01LA1	RU# 01LB1	RU# 01M01	RU# 01NX1	RU# 01FN1	RU# 01LC1	RU# 01QA1	RU# 018331/01NJ1	RU# 01LD1	RU# 01MB1	RU# 01QS1	
	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	
Contract number:	RU#01P91	RU# 01LA1	RU# 01LB1	RU# 01M01	RU# 01NX1	RU# 01FN1	RU# 01LC1	RU# 01QA1	RU# 018331/01NJ1	RU# 01LD1	RU# 01MB1	RU# 01QS1	
Contract period:	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	
Total contract amount	\$ 317,874	\$ 440,337	\$ 256,534	\$ 192,404	\$ 444,196	\$ 256,535	\$ 192,404	\$ 256,534	\$ 256,531	\$ 411,980	\$ 192,404	\$ 256,549	\$ 3,474,282
Salaries	\$ 1,524	\$ 281,402	\$ 142,905	\$ 127,408	\$ 277,191	\$ 153,874	\$ 167,744	\$ 140,634	\$ 175,543	\$ 223,064	\$ 76,707	\$ 132,966	\$ 1,900,962
Benefits	401	73,957	37,558	33,485	72,850	40,441	44,086	36,961	46,135	58,625	20,160	34,946	499,605
Total salaries and benefits	1,925	355,359	180,463	160,893	350,041	194,315	211,830	177,595	221,678	281,689	96,867	167,912	2,400,567
Administrative cost	656	90,415	50,275	46,452	96,158	57,535	62,923	50,684	60,179	76,512	27,795	31,401	650,985
Occupancy	56	6,163	3,712	3,587	7,116	4,477	4,913	3,821	4,407	5,605	2,081	1,356	47,294
Professional and specialized services	11	4,222	3,736	711	1,411	3,888	3,974	3,758	874	1,111	3,413	269	27,378
Transportation	49	5,318	3,203	3,094	6,140	3,863	4,240	3,297	3,802	4,836	1,795	1,169	40,806
Program/service related expenses	72	7,738	4,661	4,502	8,934	5,620	6,169	4,797	5,532	7,037	2,612	1,701	59,375
Depreciation	32	3,512	2,116	2,043	4,055	2,551	2,800	2,178	2,511	3,194	1,186	772	26,950
Communication	18	1,960	1,180	1,140	2,263	1,424	1,562	1,215	1,401	1,782	662	431	15,038
Insurance, taxes, and other fees	40	4,357	2,624	2,535	5,030	3,165	3,474	2,701	3,115	3,962	1,471	958	33,432
Staff development/trainings	13	1,438	866	837	1,660	1,045	1,146	892	1,028	1,308	485	316	11,034
Office related expenses	3	286	172	166	330	208	228	177	204	260	97	63	2,194
Total expenses	\$ 2,875	\$ 480,768	\$ 253,008	\$ 225,960	\$ 483,138	\$ 278,091	\$ 303,259	\$ 251,115	\$ 304,731	\$ 387,296	\$ 138,464	\$ 206,348	\$ 3,315,053

See independent auditors' report.

LINCOLN

STATEMENT OF EXPENDITURES OF COUNTY OF ALAMEDA GRANTS

For the year ended June 30, 2019

continued

	Project Perm- Wraparound (Includes Katie A)	School Engagement Program	Howard/Lafayette/ Prescott RU #	Therapeutic Behavioral Service (TBS)	Dimensional Family Therapy Program (MDFT)	Total	Total Master Contract
Contract number:	RU # 01FB1 - Social Services/Probation	RU # 01FB2	01ML1/010B1/010C 1 (Extended Sch sites)	RU # 01FB3	RU # 01FB6		MC# 900117
Contract period:	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/17 - 6/30/18	7/1/18 - 6/30/19	7/1/17 - 6/30/18		7/1/18 - 6/30/19
Total contract amount	<u>\$ 3,545,621</u>	<u>\$ 1,253,883</u>	<u>\$ 352,883</u>	<u>\$ 1,167,117</u>	<u>\$ 736,042</u>	<u>\$ 7,055,546</u>	<u>\$ 10,529,828</u>
Salaries	\$ 1,647,631	\$ 561,184	\$ 180,150	\$ 633,191	\$ 416,769	\$ 3,438,925	\$ 5,339,887
Benefits	465,342	166,404	62,736	173,234	95,541	963,257	1,462,862
Total salaries and benefits	<u>2,112,973</u>	<u>727,588</u>	<u>242,886</u>	<u>806,425</u>	<u>512,310</u>	<u>4,402,182</u>	<u>6,802,749</u>
Administrative cost	632,767	204,590	73,970	210,395	131,015	1,252,737	1,903,722
Occupancy	78,936	21,478	5,023	21,947	17,265	144,649	191,943
Professional and specialized services	12,916	1,143	12,407	1,526		27,992	55,370
Transportation	55,650	24,486	4,033	33,898	21,171	139,238	180,044
Program/service related expenses	95,580	11,501	3,388	13,948	5,301	129,718	189,093
Depreciation	49,380	13,413	3,130	13,711	10,780	90,414	117,364
Communication	16,281	5,127	2,386	5,713	4,374	33,881	48,919
Insurance, taxes, and other fees	32,987	10,347	4,467	10,286	6,384	64,471	97,903
Staff development/trainings	3,688	4,645	298	2,431	32,354	43,416	54,450
Office related expenses	981	411	123	749	428	2,692	4,886
Total expenses	<u>\$ 3,092,139</u>	<u>\$ 1,024,729</u>	<u>\$ 352,111</u>	<u>\$ 1,121,029</u>	<u>\$ 741,382</u>	<u>\$ 6,331,390</u>	<u>\$ 9,646,443</u>
Amount Reimbursed by Alameda County as of 6/30/19							9,063,457
Subsequent Reimbursement by Alameda County							<u>562,674</u>
							<u>9,626,131</u>
Amount to be reimbursed							<u>\$ 20,312</u>

See independent auditors' report.