

**Lincoln University**  
**A Component Unit of the State of Missouri**

Accountants' Reports and Financial Statements

June 30, 2011 and 2010

**Lincoln University**  
**A Component Unit of the State of Missouri**  
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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Curators  
Lincoln University  
Jefferson City, Missouri

We have audited the accompanying basic financial statements of Lincoln University and its discretely presented component unit, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Lincoln University Foundation, Inc., a legally separate, discretely presented tax-exempt component unit of the University, which statements reflect total assets of \$6,276,190 and \$5,383,242 as of June 30, 2011 and 2010, respectively, and total revenues of \$1,987,171 and \$1,457,327, respectively, for the years then ended. Those statements were audited by other accountants whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for Lincoln University Foundation, Inc. are based solely on the report of the other accountants.

We conducted our audits 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 of material misstatement. The financial statements of Lincoln University Foundation, Inc., which comprises the financial statements of the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln University and of its discretely presented component unit as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated October 13, 2011, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and other postemployment benefit information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*BKD, LLP*

October 13, 2011

# **Lincoln University**

## **A Component Unit of the State of Missouri**

### **Management's Discussion and Analysis**

### **Years Ended June 30, 2011 and 2010**

The objective of management's discussion and analysis is to help readers of Lincoln University's financial statements better understand the financial position and operating activities for the years ended June 30, 2011 and 2010, with selected comparative information for the year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes to the financial statements.

#### ***Lincoln University***

Lincoln University is an academic institution that is part of the Missouri state system of higher education. Founded in 1866 through the cooperative efforts of the enlisted men and officers of the 62<sup>nd</sup> and 65<sup>th</sup> Colored Infantries, Lincoln University was designed to meet the educational and social needs of freed African-Americans. While remaining committed to this purpose, the University has expanded its historical mission to embrace the needs of a significantly broader higher education population. Our current mission statement further delineates the University's character and historical nature:

Lincoln University is a historically black, 1890 land-grant, public, comprehensive institution that provides excellent educational opportunities including theoretical and applied learning experiences to a diverse population within a nurturing, student-centered environment.

#### **Academic Programs**

The academic programs of the University are organized under four Colleges: the College of Arts and Letters, the College of Professional Studies, the College of Behavioral and Technological Sciences and the College of Agricultural and Natural Sciences. Lincoln University offers nine undergraduate degrees: Bachelor of Arts (B.A.), Bachelor of Liberal Studies (B.L.S.), Bachelor of Music Education (B.M.E.), Bachelor of Science (B.S.), Bachelor of Science in Education (B.S.Ed.), Bachelor of Science in Nursing (B.S.N.), Associate of Arts (A.A.), Associate of Applied Science (A.A.S.) and Associate of Science (A.S.).

The Office of Graduate Studies coordinates all graduate programs. The University offers five graduate degrees: Master of Arts (M.A.) with majors in history, sociology and sociology/criminal justice; Master of Education (M.Ed.) with majors in school administration and supervision, school teaching and guidance and counseling; Master of Business Administration (M.B.A.) with an emphasis in management, accounting, entrepreneurship or public administration/policy; Master of Science (M.S.) in Environmental Science and the Specialist Degree in Education: Leadership (Ed.S.) with an emphasis in elementary leadership, secondary leadership or superintendency.

#### **Using the Annual Financial Report**

The University's financial statements consist of a series of financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). A summary of significant accounting policies followed by the University is included in *Note 1* to the financial statements of this report.

*The Statement of Net Assets* - This statement presents information on all University assets and liabilities. Assets and liabilities are generally measured using current values. One notable exception is the capital assets, which are stated at historical cost less an allowance for depreciation.

*Statement of Revenues, Expenses and Changes in Net Assets* - This statement presents a summary of revenues and expenses classified as either operating or nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The operating deficit, which is reflected results from the classification of state appropriations as nonoperating revenue. Also, this statement reflects a change in the University's net assets based upon revenues in excess of expenses.

*Statement of Cash Flows* - This statement classifies cash inflows and outflows into the following classifications: operating activities, noncapital financing activities, capital and related financing activities and investing activities. This information is useful in assessing the University's ability to meet maturing financial obligations.

### **Statement of Net Assets**

A summarized comparison of the University's assets, liabilities and net assets at June 30, 2011, 2010 and 2009, is as follows:

<b>Net Assets, End of Year</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(In Millions)</b>		
<b>Assets</b>			
Current assets	\$ 15.2	\$ 12.3	\$ 11.3
Capital assets, net	87.3	89.4	89.6
Other noncurrent assets	<u>6.4</u>	<u>7.0</u>	<u>7.8</u>
Total assets	<u>\$ 108.9</u>	<u>\$ 108.7</u>	<u>\$ 108.7</u>
<b>Liabilities</b>			
Current liabilities	\$ 5.8	\$ 5.5	\$ 5.5
Noncurrent liabilities	<u>26.7</u>	<u>27.7</u>	<u>29.0</u>
Total liabilities	<u>\$ 32.5</u>	<u>\$ 33.2</u>	<u>\$ 34.5</u>

<b>Net Assets, End of Year</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(In Millions)</b>		
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 63.0	\$ 63.3	\$ 61.4
Restricted – nonexpendable	0.1	0.1	0.1
Restricted – expendable	3.3	3.5	2.7
Unrestricted	<u>10.0</u>	<u>8.6</u>	<u>10.0</u>
Total net assets	<u>\$ 76.4</u>	<u>\$ 75.5</u>	<u>\$ 74.2</u>

In fiscal year 2011, there was a modest increase in total net assets of \$0.9 million. This increase resulted from an increase in total assets of \$0.2 million and a decrease in total liabilities of \$0.7 million. The increase in assets is mainly due to an increase in investments and prepayments for capital assets but is

offset by the decrease in capital assets. Capital assets were affected primarily from depreciation. In 2011, the University reduced the liability related to the 2005 and 2007 revenue bonds by approximately \$1.0 million. These changes in assets coupled with the reduction in liabilities resulted in the change in total net assets.

There was an increase in net assets of \$1.3 million in fiscal year 2010. This is directly related to the reduction in noncurrent liabilities of \$1.3 million. Noncurrent liabilities went down due to the payments on the 2005 and 2007 issue revenue bonds.

At June 30, 2011, total University assets increased slightly from \$108.7 in 2010 to \$108.9 in 2011. The University's largest asset in 2011 and 2010, is its investment in capital assets of \$63.0 and \$63.3 million (net of depreciation and related debt), respectively.

In fiscal year 2011, the University's current assets of \$15.2 million were sufficient to cover current liabilities of \$5.8 million. The current ratio in 2011 increased to 2.6 compared to the current ratio in 2010 of 2.2.

The University's liabilities totaled \$32.5 million at June 30, 2011, and \$33.2 million at June 30, 2010. Noncurrent liabilities of \$26.7 million in 2011 and \$27.7 million in 2010 both consisted primarily of bonds payable.

### **Statement of Revenues, Expenses and Changes in Net Assets**

The statement of revenues, expenses and changes in net assets presents the University's results of financial activity for the year.

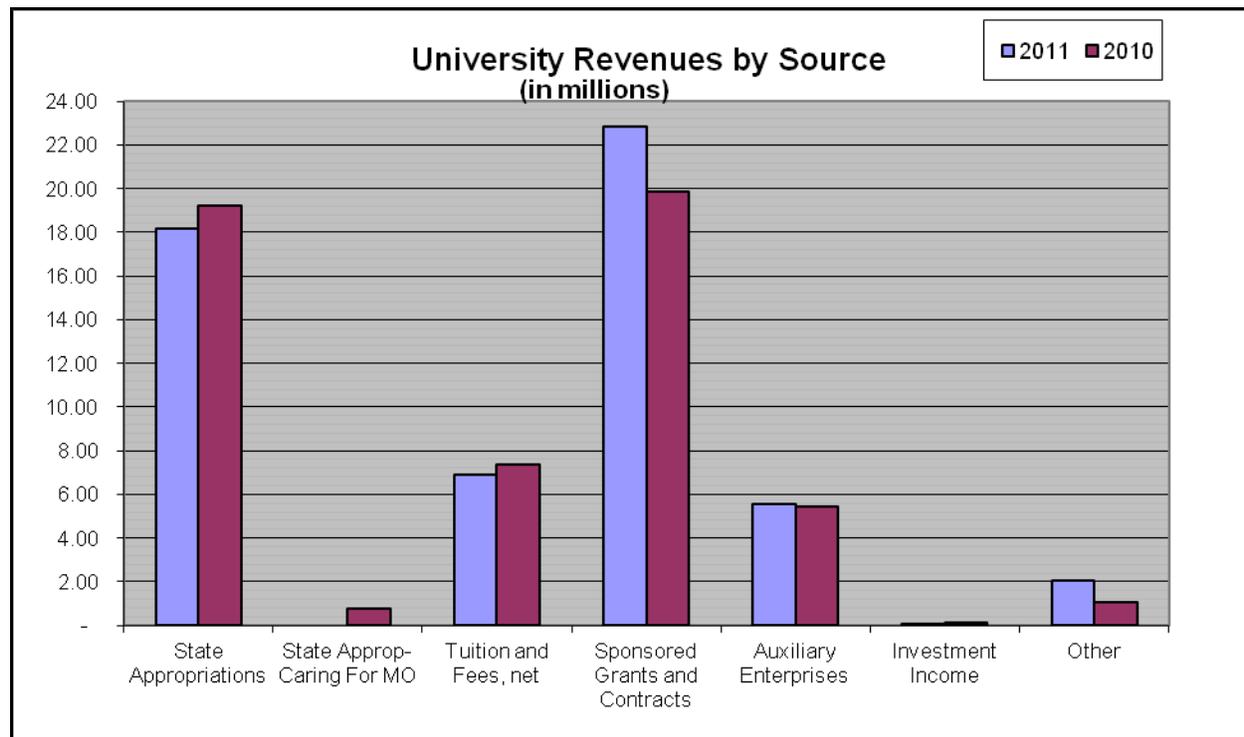
A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2011, 2010 and 2009, is as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(In Millions)</b>		
Operating revenues	\$ 14.7	\$ 15.2	\$ 15.1
Operating expenses	<u>54.1</u>	<u>53.0</u>	<u>49.6</u>
Operating loss	(39.4)	(37.8)	(34.5)
Nonoperating revenues, net	<u>39.6</u>	<u>37.3</u>	<u>35.0</u>
Income (loss) before other revenues, expenses, gains or losses	0.2	(0.5)	0.5
Other revenues	<u>0.7</u>	<u>1.8</u>	<u>3.1</u>
Increase in net assets	0.9	1.3	3.6
Net assets, beginning of year	<u>75.5</u>	<u>74.2</u>	<u>70.6</u>
Net assets, end of year	<u>\$ 76.4</u>	<u>\$ 75.5</u>	<u>\$ 74.2</u>

The total operating loss for fiscal year 2011 was \$39.4 million, which was offset by nonoperating revenues of \$39.6 million. The largest component of nonoperating revenues continues to be state appropriations and certain government grants. Although, these revenues support operating expenses, Governmental Accounting Standards Board (GASB) mandates that these revenues be recorded as nonoperating revenues.

## Revenues (Operating and Nonoperating)

The following graph displays the components of the University's revenues for fiscal years 2011 and 2010:



As stated above, one of the largest components of revenues was state appropriations. The University received a 5.2% cut in core funding in 2011 compared to 2010. State appropriations now accounts for 32% of University revenues compared to 35% in 2010. In fiscal year 2010, the University received one time state appropriations specifically for the Caring For Missourians program in the amount of \$0.8 million. The University continues to face significant financial pressure with increasing compensation and benefit costs and volatile technology and energy prices.

Student tuition and fees revenue of \$6.9 million is stated net of \$9.5 million and \$0.2 million in scholarship allowances and bad debt, respectively.

The following table represents the details of the University's grants and contracts for the year ended June 30, 2011:

	<u>2011</u>
Federal sources	
Department of Agriculture	\$ 8,744,753
Department of Education (excluding financial aid)	3,156,838
Department of Defense	2,819,982
Department of International Development	68,988
Department of Health and Human Services	123,413
National Aeronautics and Space Administration	13,582
National Science Foundation	293,691
Department of State	11,696
Total federal sources	<u>15,232,943</u>
Nonfederal sources	
State, local and private	<u>3,066,173</u>
Total nonfederal sources	<u>3,066,173</u>
 Total all sources	 <u>\$ 18,299,116</u>

## Operating Revenues

The following table summarizes the University's operating revenues by source for the years ended June 30, 2011, 2010 and 2009:

	2011	2010	2009
	(In Millions)		
Tuition and fees, net	\$ 6.9	\$ 7.4	\$ 8.5
Grants and contracts	1.9	2.4	1.8
Recovery of facilities and administrative costs	0.7	0.4	0.4
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	4.7	4.6	4.1
Other	0.4	0.3	0.2
Total operating revenues	<u>\$ 14.7</u>	<u>\$ 15.2</u>	<u>\$ 15.1</u>

In fiscal year 2011, tuition and fees, net of allowance and bad debt, decreased slightly by \$0.5 million, despite the increase in tuition and related fees of 5% for nonresident students and a 3% increase for graduate in-state students. The increase in tuition and fee rates was offset by the increase in scholarship allowances. In 2011, the scholarship allowance increased by \$0.7 million. The largest part of scholarship allowances remains to be federal financial aid. In 2011, federal financial aid, specifically PELL, increased by \$0.8 million.

In 2010, tuition and fees revenue, net of scholarship allowances and bad debt expenses, decreased by \$1.1 million as a result of an increase in scholarship allowance of \$2.2 million. Scholarship allowance is affected by federal financial aid such as PELL, SEOG, ACG and SMART funds. In 2010 the PELL award increased by \$2.3 million thereby increasing the scholarship allowance. There were no rate increases for tuition and fees in 2010.

Operating grants and contracts decreased by \$0.5 million in 2011 compared to 2010. However, when coupled with the \$0.3 million increase in recovery of facilities and administrative costs associated with grants and contracts, operating grant revenues remained relatively steady.

## Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2011, 2010 and 2009:

	2011	2010	2009
	(In Millions)		
Compensation and benefits	\$ 34.4	\$ 32.5	\$ 30.5
Contractual services	6.5	6.9	6.5
Supplies and materials	2.2	2.5	2.3
Depreciation and amortization	5.9	5.7	5.0
Utilities/communications	1.8	1.7	1.8
Scholarships and fellowships	0.4	0.5	0.4
Other	2.9	3.2	3.1
	<u>\$ 54.1</u>	<u>\$ 53.0</u>	<u>\$ 49.6</u>

Operating expenses in 2011 increased to \$54.1 million from \$53.0 million in 2010. The largest component of operating expenses is compensation and benefits. The increase in compensation and benefits was \$1.9 million in 2011. This increase of approximately 6% is the direct result of continued

increases in health insurance premiums for faculty and staff. At the renewal period of the 2011 calendar year, the University received a negotiated rate increase of 10%. Along with this rate increase came reduced benefits for employees. In 2011, employees again did not receive cost-of-living increases. Excluding compensation and benefits and depreciation, other operating expenses in total were reduced by \$1.0 million in 2011. Cuts in appropriations in 2011 impacted available funds for other operating expenses.

In 2010, compensation and benefits increased by \$2.0 million compared to 2009. Programs such as expansion of the research and extension programs, increased enrollment in fall 2009 resulting in additional instructional costs, filling vacant positions and an increase in fringe benefits all factored into the increase in compensation and benefits. In 2010, employees did not receive cost-of-living increases.

In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2011, 2010 and 2009, is as follows:

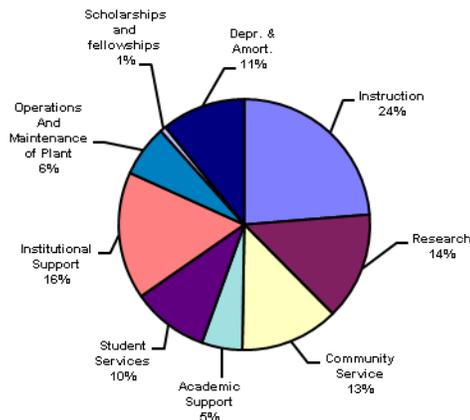
**Expenses by Functional Category**

	2011	2010	2009
	(In Millions)		
Instruction	\$ 12.8	\$ 13.0	\$ 12.1
Research	7.5	6.6	5.7
Community service	6.9	5.4	4.3
Academic support	2.8	3.3	3.5
Student services	5.3	5.8	5.7
Institutional support	8.9	8.9	8.8
Operations and maintenance of plant	3.6	3.8	4.1
Scholarships and fellowships	0.4	0.5	0.4
Depreciation and amortization	<u>5.9</u>	<u>5.7</u>	<u>5.0</u>
	<u>\$ 54.1</u>	<u>\$ 53.0</u>	<u>\$ 49.6</u>

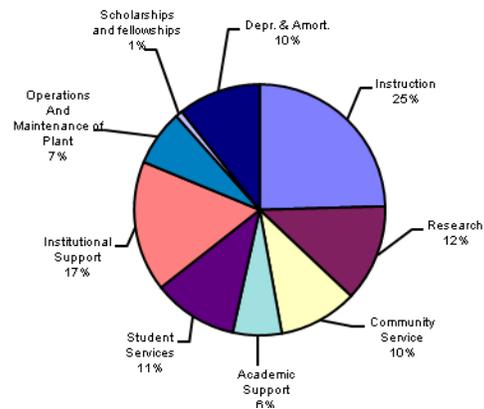
The University's total operating expenses directly support the primary mission of the University: Instruction, Research and Community Service. In 2011, the total Research and Community Service expenses increased by \$2.4 million compared to 2010. This is a result of new and continuing research projects and extension services with Department of Agriculture and Department of Defense.

The following graphic illustrations present total expenses by function:

**2011 Functional Expenses**



**2010 Functional Expenses**



## Nonoperating Revenues and Expenses

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2011, 2010 and 2009:

	2011	2010	2009
	(In Millions)		
State appropriations	\$ 18.2	\$ 20.0	\$ 19.2
Federal grants and contracts	19.7	16.3	14.4
State grants and contracts	0.5	0.7	0.7
Interest on indebtedness	(1.3)	(1.4)	(1.3)
Investment income	0.1	0.1	0.5
Other	<u>2.4</u>	<u>1.5</u>	<u>1.5</u>
 Total nonoperating revenues and expenses	 <u>\$ 39.6</u>	 <u>\$ 37.2</u>	 <u>\$ 35.0</u>

One of the largest components of the University's nonoperating revenues continues to be state appropriations. State appropriations decreased in 2011 by \$1.8 million compared to 2010. The University received a 5.2% cut in base appropriations during 2011, which amounts to a \$1.0 million reduction. In 2010, the University received flat base funding. However, the University did receive one-time funding of \$0.8 appropriated for the Caring for Missourians program.

The federal grants and contracts increased by \$3.4 million in 2011 as a result of increased grants and contracts activity with various agencies including Department of Agriculture, Department of Defense and Department of Education.

## Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due and needs for external financing.

The following table summarizes the University's cash flows for the years ended June 30, 2011, 2010 and 2009:

	2011	2010	2009
	(In Millions)		
<b>Cash Provided by (Used in)</b>			
Operating activities	\$ (34.0)	\$ (32.2)	\$ (29.7)
Noncapital financing activities	38.7	36.9	34.6
Capital and related financing activities	(4.3)	(5.8)	(11.6)
Investing activities	(0.7)	1.3	1.4
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(0.3)	0.2	(5.3)
<b>Cash and Cash Equivalents, Beginning of the Year</b>	<u>4.8</u>	<u>4.6</u>	<u>9.9</u>
<b>Cash and Cash Equivalents, End of the Year</b>	<u>\$ 4.5</u>	<u>\$ 4.8</u>	<u>\$ 4.6</u>

In fiscal year 2011, cash and cash equivalents decreased by \$0.3 million compared to 2010. Approximately \$34.0 million of cash was used for operating activities, offset by \$38.7 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and federal and state grants and contract revenues received for other than capital purposes.

During fiscal year 2011, cash used for operating activities increased by \$1.8 million compared to 2010, due in part to the increase in benefits for employee health insurance premiums.

The noncapital financing activities increased in 2011 by \$1.8 million. The change in noncapital financing activities was affected by three major components, the reduction in state appropriations of 5.2% or \$1.0 million, the reduction in Caring for Missourians state appropriations (one-time funding in 2010) of \$0.8 million and the increase in federal and state grant and contract revenue of \$3.5 million.

Cash used for capital and related financing activities in 2011 was \$4.3 million, a reduction of \$1.5 million compared to 2010. In 2009, the University received capital appropriations through the State of Missouri Lewis and Clark Discovery fund. These funds were fully utilized in 2009 and 2010, thereby reducing the revenue received in 2011 by \$0.5 million. Another major factor affecting cash used for capital and related financing is the reduction in funds available for construction related projects. The University spent \$2.6 million less on purchases of capital assets in 2011 compared to 2010.

Cash used for investing activities in fiscal year 2011 was \$0.7 million compared to the cash provided by investing activities of \$1.3 million in 2010. This is an overall change of \$2.0 million. By comparison, the University purchased \$1.9 million more investments in 2011, while the maturities or sales of investments remained steady. The University employs an investment strategy to maximize investment opportunities. However, interest rates continue to be fairly stagnant and investment opportunities are limited. The University's investment options are restricted to United States Treasury Securities, Government Sponsored Enterprises, collateralized public deposits, bankers acceptances, commercial paper and bank repurchase agreements collateralized by those obligations.

The change in operating activities in 2010 was an overall increase in cash used of \$2.5 million. The changes in operating were affected by a decrease in cash received for tuition and fees due to an increase in scholarship allowances; an increase in cash received from Department of Defense grants and auxiliary enterprises; as well as an increase in cash used for salaries and benefits.

There was an increase in cash received from noncapital financing activities in 2010 of \$2.3 million. This increase was directly related to the one-time state appropriations for the Caring for Missourians and an increase in grants and contracts.

The net change in capital and related financing activities in 2010 compared to 2009 was \$5.8 million. In 2010, the University received \$1.8 million less in capital related appropriations for renovations to Jason Hall. This was offset by a decrease of \$6.9 million in cash used for purchases of capital assets and an increase of \$0.7 million received from gifts and grants related to capital projects.

### ***Capital Assets***

At June 30, 2011, the University had approximately \$87.3 million invested in capital assets, net of accumulated depreciation of approximately \$73.7 million. At June 30, 2010, the University had approximately \$89.4 million invested in capital assets, net of accumulated depreciation of approximately \$68.1 million.

Depreciation charges for the current year totaled approximately \$5.6 million. The following table summarizes the University's capital assets, net of accumulated depreciation, as of June 30, 2011, 2010 and 2009.

**Capital Assets, Net**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In Millions)		
Land and land improvements	\$ 5.7	\$ 6.0	\$ 5.0
Buildings	71.7	74.5	74.8
Furniture, fixtures and equipment	6.2	6.6	6.3
Infrastructure	1.6	1.8	2.1
Library materials	0.1	0.1	0.1
Construction in progress	<u>2.0</u>	<u>0.4</u>	<u>1.3</u>
Total capital assets, net	<u>\$ 87.3</u>	<u>\$ 89.4</u>	<u>\$ 89.6</u>

Major construction projects that began in 2010 and were completed in 2011 include the Martin Luther King Hall lecture classrooms 106/206 and the 4<sup>th</sup> floor lounge (\$456,100), JCTV Studio flooring replacement project (\$190,000), 609 Marshall Street renovation for the Early Head Start Program (\$162,000) and the renovation of Martin Luther King Hall room 18-19 for the Center for Innovative Instruction (\$48,000). Funding for these projects was provided by Title III funds and local funds.

Projects that began in 2011 and will be complete in 2012 include the eastern section renovation of the South Campus Building (\$401,000), parking lot expansion at Dickinson Research Center (\$312,000), upgrades to research spaces in Founders Hall (\$253,000), resurfacing of Dwight T. Reed Stadium Track (\$212,000), Young Hall 300 classroom renovation (\$166,000), first floor renovations for the President's Residence (\$113,000), replacement of three Multi-Stack chillers in Founders Hall (\$98,000), construction of a new reservoir at Busby Farm (\$99,000), stadium press box renovation (\$74,000) and the interior renovations to Small Animal Research Facility (\$62,000). Funding for these projects are provided by 1890 Facilities grant funds, National Science Foundation grant funds, research/extension funds and local funds.

During 2011, technology enhancements were made during the Young Hall room 300 lecture classroom renovation. New multi-media technology was also installed.

***Bonds and Capital Leases***

As of June 30, 2011, the University had approximately \$27.0 million in outstanding revenue bonds compared to \$28.0 million in 2010, a decrease of \$1 million.

**Bonds and Capital Lease Debt**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In Millions)		
Revenue bonds	<u>\$ 27.0</u>	<u>\$ 28.0</u>	<u>\$ 29.0</u>

## Student Enrollment

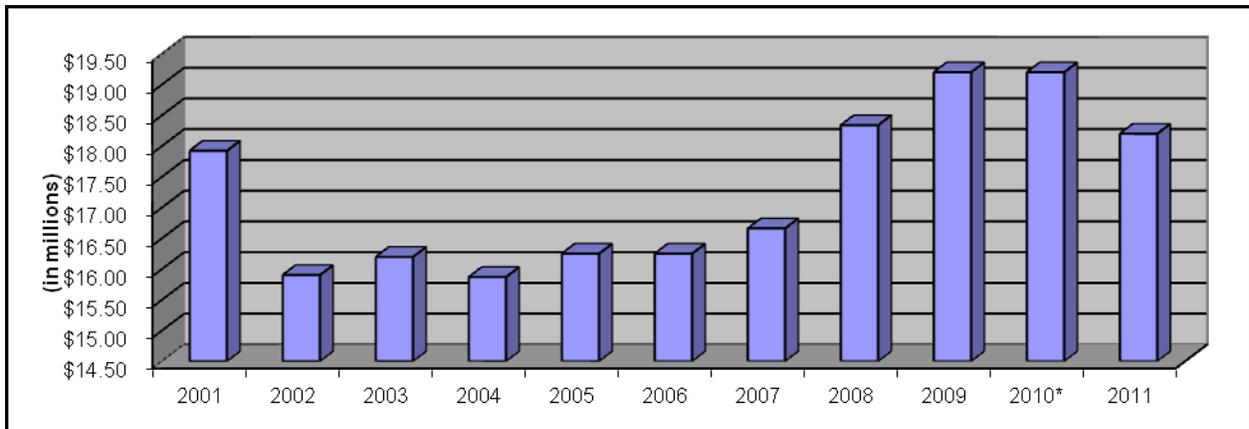
Following are highlights of student demographics for the fall 2010, 2009 and 2008 semesters of fiscal years 2011, 2010 and 2009, respectively.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Undergraduate	3,159	3,116	2,941
Graduate	<u>190</u>	<u>198</u>	<u>168</u>
Total students	<u><u>3,349</u></u>	<u><u>3,314</u></u>	<u><u>3,109</u></u>
Full-time	2,204	2,172	2,020
Part-time	1,145	1,142	1,089
Male	1,313	1,323	1,225
Female	2,036	1,991	1,884
Credit hours generated	36,790	35,994	33,392
Student full-time equivalent	2,471	2,419	2,244
Resident	817	886	771
Commuter	<u>2,532</u>	<u>2,428</u>	<u>2,338</u>
Total students	<u><u>3,349</u></u>	<u><u>3,314</u></u>	<u><u>3,109</u></u>
In-state	2,859	2,830	2,620
Out-state	402	407	373
International	<u>88</u>	<u>77</u>	<u>116</u>
Total students	<u><u>3,349</u></u>	<u><u>3,314</u></u>	<u><u>3,109</u></u>
Total number of degrees awarded	451	395	432
Number of students in dual-credit courses	416	425	440
Associate degree program	10	10	9
Undergraduate degree programs	50	50	49
Graduate degree programs	<u>12</u>	<u>11</u>	<u>10</u>
	<u><u>72</u></u>	<u><u>71</u></u>	<u><u>68</u></u>

In reviewing University enrollment trends, the chart above shows a modest increase in enrollment for fall 2011 compared to fall 2010. The total number of students increased by approximately 1% in 2011 with a 2% increase in the number of credit hours generated. This is due in part to the slight increase in the number of full-time students. The most significant increase in the trend chart above is the number of degrees awarded during the fall 2011 semester from 395 in 2010 to 451 in 2011, a 14% increase. Recruitment and retention efforts remain a focus for management.

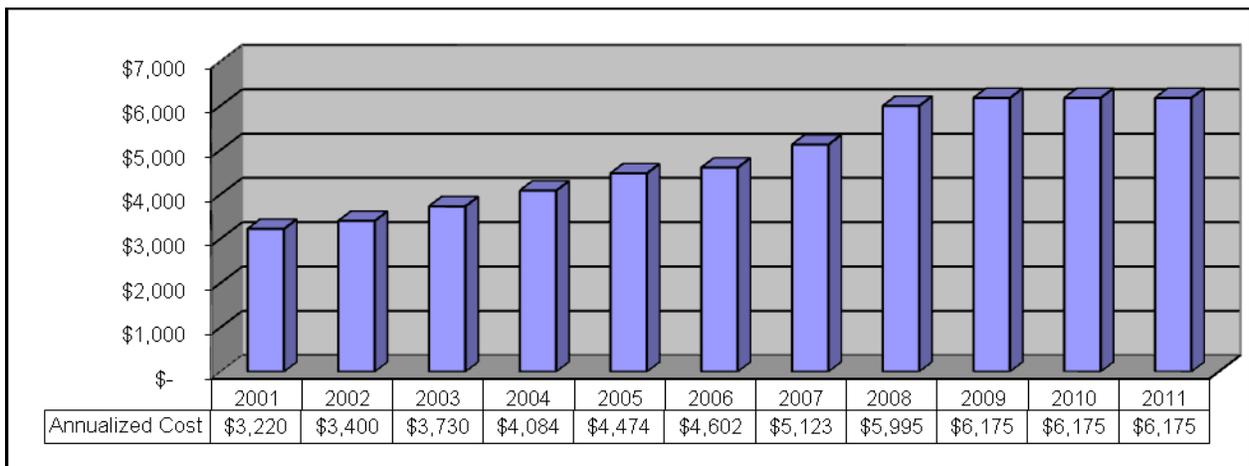
## Trends

### State Appropriations by Fiscal Year

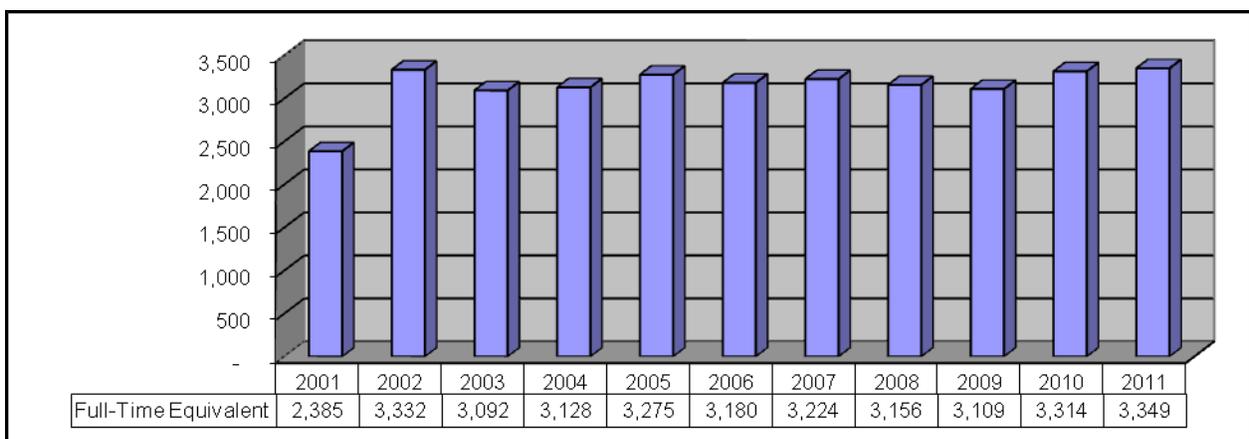


\*Excludes the one-time state appropriations for the Caring for Missourian program.

### Full-Time Resident Tuition and Required Fees per Year



### Student Enrollment for Fall Semesters by Fiscal Year



## ***Fiscal Year 2012 Outlook***

### **General Fund Operating Budget**

The Lincoln University Board of Curators approved a \$35.6 million general fund operating budget for fiscal year 2012. In past years, the largest component of the budget was state appropriations. However, due to continued cuts to base appropriations, the largest component of the 2012 budget is now tuition and mandatory fees. State appropriations makes up 47% of University revenues compared to tuition and fees at 50%. The 2012 state appropriation of \$16.9 million represents a decrease in core appropriations of 7%.

### **Capital Projects**

Upcoming projects identified for design and or construction during 2012 include the new aquaculture facility, the central portion of the South Campus Building renovation, the Martin Luther King Hall roof replacement and cooling tower replacement project, the waterproofing project around Richardson Fine Arts Center, classroom renovation work in room 201 Elliff Hall and a new camera surveillance system will be installed in Page Library. Projects will be funded by Title III, extension/research funds, 1890 Facilities grant funds and local funds.

### **Other Significant Factors**

The National Association of Schools of Music (NASM) visit took place in September 2011. The results from this visit have not been received.

The University will also be working on self-study reports for the Accreditation Council for Business Schools and Programs (ACBSP). The visit from ACBSP is scheduled for September 30, 2012, through October 3, 2012.

The previously scheduled visit from the National Council for the Accreditation of Teacher Education (NCATE) in conjunction with the Missouri Department of Elementary and Secondary Education (DESE) review has been delayed from fall of 2012 to fall 2013 per the recommendation from DESE.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Net Assets**  
**June 30, 2011 and 2010**

**Assets**

	<b>2011</b>	<b>2010</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,460,737	\$ 1,728,851
Short-term investments	6,490,694	5,310,668
Accounts receivable, net of allowance; 2011 – \$410,245, 2010 – \$393,708	670,859	773,941
Federal and state grants receivable	5,351,055	4,446,265
Deposit on land and other prepaid expenses	1,194,444	-
Other	10,743	34,876
Total current assets	15,178,532	12,294,601
 <b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	3,077,990	3,077,147
Long-term investments	376,464	903,673
Endowment investments	1,405,517	1,293,632
Prepaid and other assets, net	1,561,850	1,666,518
Capital assets, net	87,271,092	89,439,352
Total noncurrent assets	93,692,913	96,380,322
Total assets	\$ 108,871,445	\$ 108,674,923

## Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,496,423	\$ 2,660,125
Accrued compensated absences	908,251	861,583
Postemployment benefit obligation	65,951	65,916
Deferred revenue	1,354,652	926,159
Current portion of long-term debt	<u>1,015,000</u>	<u>985,000</u>
Total current liabilities	<u>5,840,277</u>	<u>5,498,783</u>
<b>Noncurrent Liabilities</b>		
Deposits held in custody for others	101,868	124,243
Accrued compensated absences	489,058	484,640
Postemployment benefit obligation	63,848	69,135
Long-term debt	<u>25,996,905</u>	<u>27,019,079</u>
Total noncurrent liabilities	<u>26,651,679</u>	<u>27,697,097</u>
Total liabilities	<u>32,491,956</u>	<u>33,195,880</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	62,957,603	63,295,514
Restricted nonexpendable	56,352	56,352
Restricted expendable for		
Research	234,808	446,676
Retirement of indebtedness	778,523	230,091
Capital assets	-	551,726
Term endowment	1,289,277	1,278,888
Other	1,009,095	1,024,798
Unrestricted	<u>10,053,831</u>	<u>8,594,998</u>
Total net assets	<u>\$ 76,379,489</u>	<u>\$ 75,479,043</u>

**Lincoln University Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

**Assets**

	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 442,466	\$ 913,900
Contributions receivable	107,326	50,716
Accrued investment income	3,613	3,085
Long-term investments	5,710,351	4,415,541
Cash surrender value of life insurance	12,434	-
	\$ 6,276,190	\$ 5,383,242
Total assets		

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 3,055	\$ 933
Note payable	133,124	359,014
	136,179	359,947
Total liabilities		

**Net Assets**

Unrestricted	(59,436)	(255,622)
Temporarily restricted	2,936,945	1,974,801
Permanently restricted	3,262,502	3,304,116
	6,140,011	5,023,295
Total net assets		
Total liabilities and net assets	\$ 6,276,190	\$ 5,383,242

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>		
Tuition and fees (net of scholarship allowances of \$9,510,657 – 2011 and \$8,838,528 – 2010 and bad debt expense of \$178,777 – 2011 and \$199,742 – 2010)	\$ 6,898,900	\$ 7,385,338
Federal grants and contracts	1,899,206	2,347,077
State grants and contracts	26,880	63,900
Recovery of facility and administrative costs	722,445	440,090
Sales and services of educational activities	51,117	53,105
Auxiliary enterprises (net of scholarship allowances of \$168,071 – 2011 and \$172,656 – 2010 and bad debt expense of \$43,100 – 2011 and \$49,871 – 2010)	4,730,142	4,639,009
Other	330,222	313,977
	<u>14,658,912</u>	<u>15,242,496</u>
<b>Operating Expenses</b>		
Compensation and benefits	34,422,001	32,531,781
Contractual services	6,507,687	6,888,095
Travel	1,339,645	1,526,958
Supplies and materials	2,161,216	2,498,471
Scholarships and fellowships	424,082	472,242
Depreciation and amortization	5,844,242	5,660,135
Communications	175,892	187,465
Utilities	1,634,328	1,511,900
Other	1,581,099	1,738,214
	<u>54,090,192</u>	<u>53,015,261</u>
	<u>(39,431,280)</u>	<u>(37,772,765)</u>
<b>Operating Loss</b>		
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	18,188,722	19,187,388
State appropriations - Caring for Missourians	-	782,947
Federal grants and contracts	19,653,669	16,313,741
State and local grants and contracts	534,191	713,306
Student fees for capital projects	797,463	788,284
Gain (loss) on disposal of capital assets	898,908	(35,486)
Investment income	69,596	137,552
Interest on capital asset-related debt	(1,345,588)	(1,380,220)
Other nonoperating revenues	799,880	713,210
	<u>39,596,841</u>	<u>37,220,722</u>
Net nonoperating revenues		

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Gain (Loss) Before Other Revenues, Expenses, Gains or Losses</b>	\$ 165,561	\$ (552,043)
<b>Capital Appropriations</b>	-	553,419
<b>Capital Grants and Gifts</b>	<u>734,885</u>	<u>1,249,865</u>
<b>Increase in Net Assets</b>	900,446	1,251,241
<b>Net Assets, Beginning of Year</b>	<u>75,479,043</u>	<u>74,227,802</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 76,379,489</u></u>	<u><u>\$ 75,479,043</u></u>

**Lincoln University Foundation, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues and Other Support</b>				
Contributions	\$ 257,476	\$ 385,771	\$ 34,540	\$ 677,787
Special events	89,437	29,694	-	119,131
Total investment return, net	64,233	934,171	73,846	1,072,250
Other revenue	118,003	-	-	118,003
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	529,149	1,349,636	108,386	1,987,171
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	537,492	(387,492)	(150,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and other support	1,066,641	962,144	(41,614)	1,987,171
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenses</b>				
Program services				
Scholarships	222,135	-	-	222,135
Direct payments	440,731	-	-	440,731
Total program expenses	662,866	<hr/>	<hr/>	662,866
Support services				
Management and general	103,666	-	-	103,666
Fundraising	103,923	-	-	103,923
Total support services	207,589	<hr/>	<hr/>	207,589
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	870,455	-	-	870,455
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	196,186	962,144	(41,614)	1,116,716
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Assets, Beginning of Year As Previously Reported</b>	(255,622)	1,974,801	3,304,116	5,023,295
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Adjustments Applicable to Prior Years</b>	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Assets, Beginning of Year As Restated</b>	(255,622)	1,974,801	3,304,116	5,023,295
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Assets, End of Year</b>	\$ (59,436)	\$ 2,936,945	\$ 3,262,502	\$ 6,140,011
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements

<b>2010</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 89,869	\$ 644,224	\$ 89,197	\$ 823,290
107,012	36,470	-	143,482
24,182	441,645	24,728	490,555
-	-	-	-
221,063	1,122,339	113,925	1,457,327
648,534	(613,007)	(35,527)	-
869,597	509,332	78,398	1,457,327
392,233	-	-	392,233
194,916	-	-	194,916
587,149	-	-	587,149
54,443	-	-	54,443
169,612	-	-	169,612
224,055	-	-	224,055
811,204	-	-	811,204
58,393	509,332	78,398	646,123
(538,279)	1,588,227	3,327,224	4,377,172
224,264	(122,758)	(101,506)	-
(314,015)	1,465,469	3,225,718	4,377,172
\$ (255,622)	\$ 1,974,801	\$ 3,304,116	\$ 5,023,295

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Activities</b>		
Tuition and fees	\$ 6,628,408	\$ 7,166,843
Grants and contracts	1,926,086	2,410,977
Payments to suppliers	(14,036,132)	(14,659,295)
Payments to employees	(34,393,290)	(32,515,998)
Sales and services of auxiliary enterprises	4,750,758	4,639,455
Sales and services of educational activities	51,117	53,105
Other receipts and deposits	1,047,927	735,841
Net cash used in operating activities	<u>(34,025,126)</u>	<u>(32,169,072)</u>
<b>Noncapital Financing Activities</b>		
State appropriations	18,188,722	19,187,388
State appropriations - Caring for Missourians	-	782,947
Gifts and grants for other than capital purposes	19,727,729	16,210,609
Other receipts	799,880	713,211
Net cash provided by noncapital financing activities	<u>38,716,331</u>	<u>36,894,155</u>
<b>Capital and Related Financing Activities</b>		
Capital grants and gifts	715,092	1,162,224
State appropriations for capital improvements	-	553,418
Student fees for capital projects	797,463	788,284
Purchase of capital assets	(3,472,589)	(6,068,516)
Deposit on land purchase	(1,184,250)	-
Principal paid on capital debt	(985,000)	(950,000)
Interest paid on capital debt	(1,298,131)	(1,332,293)
Proceeds from sale of land	1,164,045	-
Net cash used in capital and related financing activities	<u>(4,263,370)</u>	<u>(5,846,883)</u>
<b>Investing Activities</b>		
Investment income receipts	69,596	137,552
Proceeds from sales and maturities of investments	13,272,278	13,311,995
Purchases of investments	(14,036,980)	(12,111,869)
Net cash provided by (used in) investing activities	<u>(695,106)</u>	<u>1,337,678</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(267,271)	215,878
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,805,998</u>	<u>4,590,120</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,538,727</u>	<u>\$ 4,805,998</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Cash and cash equivalents	\$ 1,460,737	\$ 1,728,851
Restricted cash and cash equivalents	3,077,990	3,077,147
Total cash and cash equivalents	\$ 4,538,727	\$ 4,805,998
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (39,431,280)	\$ (37,772,765)
Depreciation and amortization	5,844,242	5,660,135
Changes in operating assets and liabilities		
Receivables, net	(304,149)	(252,229)
Inventories	16	3,015
Prepaid expenses	(3,712)	1,221
Accounts payable and accrued liabilities	(158,954)	287,758
Accrued compensated absences	51,086	(73,762)
Deposits held in custody for others	(22,375)	(22,445)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (34,025,126)</b>	<b>\$ (32,169,072)</b>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for capital asset purchases	\$ 707,545	\$ 285,736

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Lincoln University (the “University”) is a state-assisted university with its campus located in Jefferson City, Missouri, operating under the jurisdiction of a nine-member Board of Curators that is appointed by the Governor and confirmed by the Senate of the State of Missouri. The University is a component unit of the State of Missouri. Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study and Federal Direct Loan Programs. The University extends unsecured credit to students.

***Basis of Accounting and Presentation***

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after the applicable date.

***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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

***Cash Equivalents***

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, cash equivalents consisted primarily of money market funds, repurchase agreements and certificates of deposit.

***Investments and Investment Income***

Investments in U.S. Treasury, agency and instrumentality obligations and mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and repurchase agreements are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

***Accounts Receivable***

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts.

***Deferred Bond Issue Costs***

Bond issue costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the effective interest method. Total amortization was \$46,721 for the years ended June 30, 2011 and 2010.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings	40 years
Building improvements	27 years
Infrastructure	40 years
Furniture, fixtures and equipment	6 – 10 years
Library materials	5 years
Software	4 years

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. No interest was capitalized for the years ended June 30, 2011 and 2010.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

***Compensated Absences***

University policies permit full-time employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

***Deferred Revenue***

Deferred revenue represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

***Net Assets***

Net assets of the University are classified in four components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as permanent endowments. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

***Classification of Revenues***

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances and (2) sales and services of auxiliary enterprises.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations and investment income.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

***Scholarship Discounts and Allowances***

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

***Income Taxes***

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

***Foundation***

Lincoln University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Lincoln University (University). The Foundation acts primarily as a fundraising foundation to supplement the resources that are available to the University in support of its programs. The 20-member Board of Directors of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2011 and 2010, the Foundation distributed \$97,090 and \$0 to the University for both restricted and unrestricted purposes, respectively. During 2011 and 2010, the University transferred \$22,800 and \$52,793, respectively, of endowment funds to the Foundation for management purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 820 Chestnut Street, Jefferson City, Missouri 65102.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the University's financial reporting entity for these differences.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law which requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Missouri; bonds of any city having a population of not less than two thousand, county, school district or special road district of the state of Missouri; bonds of any state; a surety bond having an aggregate value at least equal to the amount of the deposits; tax anticipation notes issued by any first class county; irrevocable standby letters of credit issued by a Federal Home Loan Bank; or out-of-state municipal bonds rated in the highest category by a nationally recognized statistical rating agency.

***Investments***

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, bank repurchase agreements, banker's acceptances and commercial paper.

At June 30, 2011 and 2010, the University had the following investments and maturities:

<b>Type</b>	<b>June 30, 2011</b>				
	<b>Fair Value</b>	<b>Maturities in Years</b>			
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
Repurchase agreements	\$ 1,035,744	\$ 1,035,744	\$ -	\$ -	\$ -
Certificates of deposit	3,988,852	3,503,174	485,678	-	-
Money market treasury funds	780,909	780,909	-	-	-
U.S. agencies obligations	6,580,903	5,434,600	730,064	416,239	-
	<u>\$12,386,408</u>	<u>\$ 10,754,427</u>	<u>\$ 1,215,742</u>	<u>\$ 416,239</u>	<u>\$ -</u>

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Type	Fair Value	June 30, 2010			
		Less than 1	Maturities in Years		More than 10
			1-5	6-10	
Repurchase agreements	\$ 1,811,809	\$ 1,811,809	\$ -	\$ -	\$ -
Certificates of deposit	2,095,295	1,995,295	100,000	-	-
Money market treasury funds	2,525,422	2,525,422	-	-	-
U.S. agencies obligations	5,412,678	3,470,540	1,440,564	501,574	-
	\$11,845,204	\$ 9,803,066	\$ 1,540,564	\$ 501,574	\$ -

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by managing the duration of the portfolio in a manner which satisfies the anticipated liquidity needs of the University. The repurchase agreements are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2011 and 2010, the University’s investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated AAA by Standard & Poors and Aaa by Moody’s Investor Service.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the University’s investments in repurchase agreements at June 30, 2011 and 2010, are held by the counterparties in other than the University’s name. The University’s investment policy does not address how securities underlying repurchase agreements are to be held.

Concentration of Credit Risk – The University places no limit on the amount that may be invested in any one issuer.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statements of net assets as follows:

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	<b>2011</b>	<b>2010</b>
Carrying value		
Deposits	\$ 424,994	\$ 468,767
Investments	12,386,408	11,845,204
	<u>\$ 12,811,402</u>	<u>\$ 12,313,971</u>

Deposits and investments are included in the following statements of net assets captions:

	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 1,460,737	\$ 1,728,851
Short-term investments	6,490,694	5,310,668
Restricted cash and cash equivalents	3,077,990	3,077,147
Long-term investments	376,464	903,673
Endowment investments	1,405,517	1,293,632
	<u>\$ 12,811,402</u>	<u>\$ 12,313,971</u>

***Investment Income***

Investment income for the years ended June 30, 2011 and 2010, consisted of:

	<b>2011</b>	<b>2010</b>
Interest and dividend income	\$ 94,806	\$ 105,172
Net realized and unrealized gains (losses) on investments	(25,210)	32,380
	<u>\$ 69,596</u>	<u>\$ 137,552</u>

**Note 3: Endowment Funds**

The University's endowment funds are substantially composed of term endowment funds received from the U.S. Department of Education Title III program and state matching funds of \$1,104,000. The grant provisions require the University to maintain the endowment corpus for 20 years. After the termination of the grant period, the University may use the endowment fund corpus plus any endowment fund income for any educational purpose. Endowment fund income is defined as the total value of the endowment fund established minus the endowment fund corpus. Each year the University is allowed to spend not more than 50% of the total aggregate endowment fund income related to the grant award. During the years ended June 30, 2011 and 2010, \$100,000 and \$0 were transferred out of the endowment fund to the operating fund.

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**Note 4: Capital Assets**

Capital assets activity for the years ended June 30, 2011 and 2010, were:

	Beginning Balance	2011			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 2,442,342	\$ -	\$ 253,000	\$ -	\$ 2,189,342
Land improvements	4,784,704	45,100	-	36,489	4,866,293
Buildings and improvements	119,872,246	585,780	-	193,314	120,651,340
Infrastructure	4,140,518	-	-	-	4,140,518
Furniture, fixtures and equipment	23,554,003	1,417,202	162,849	-	24,808,356
Library materials	2,312,481	9,612	58,050	-	2,264,043
Construction in progress	431,337	1,830,266	-	(229,803)	2,031,800
	<u>157,537,631</u>	<u>3,887,960</u>	<u>473,899</u>	<u>-</u>	<u>160,951,692</u>
Less accumulated depreciation					
Land improvements	1,180,570	229,994	-	-	1,410,564
Buildings and improvements	45,366,917	3,541,734	-	-	48,908,651
Infrastructure	2,328,710	253,126	-	-	2,581,836
Furniture, fixtures and equipment	16,981,233	1,751,396	157,150	-	18,575,479
Library materials	2,240,849	21,271	58,050	-	2,204,070
	<u>68,098,279</u>	<u>5,797,521</u>	<u>215,200</u>	<u>-</u>	<u>73,680,600</u>
Net capital assets	<u>\$ 89,439,352</u>	<u>\$ (1,909,561)</u>	<u>\$ 258,699</u>	<u>\$ -</u>	<u>\$ 87,271,092</u>

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	Beginning Balance	2010			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 2,403,684	\$ 38,658	\$ -	\$ -	\$ 2,442,342
Land improvements	3,597,750	522,933	-	664,021	4,784,704
Buildings and improvements	116,678,012	2,536,349	-	657,885	119,872,246
Infrastructure	4,140,518	-	-	-	4,140,518
Furniture, fixtures and equipment	22,181,260	1,963,518	591,179	404	23,554,003
Library materials	2,289,449	24,066	1,034	-	2,312,481
Construction in progress	1,324,488	429,159	-	(1,322,310)	431,337
	<u>152,615,161</u>	<u>5,514,683</u>	<u>592,213</u>	<u>-</u>	<u>157,537,631</u>
Less accumulated depreciation					
Land improvements	1,005,318	175,252	-	-	1,180,570
Buildings and improvements	41,841,852	3,525,065	-	-	45,366,917
Infrastructure	2,075,584	253,126	-	-	2,328,710
Furniture, fixtures and equipment	15,900,946	1,635,980	555,693	-	16,981,233
Library materials	2,217,891	23,992	1,034	-	2,240,849
	<u>63,041,591</u>	<u>5,613,415</u>	<u>556,727</u>	<u>-</u>	<u>68,098,279</u>
Net capital assets	<u>\$ 89,573,570</u>	<u>\$ (98,732)</u>	<u>\$ 35,486</u>	<u>\$ -</u>	<u>\$ 89,439,352</u>

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**Note 5: Noncurrent Liabilities**

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2011 and 2010:

	<b>Beginning Balance</b>	<b>2011</b>		<b>Ending Balance</b>	<b>Current Portion</b>
		<b>Additions</b>	<b>Deductions</b>		
<b>Bonds</b>					
Revenue bonds payable, Series 2005	\$ 7,640,000	\$ -	\$ 590,000	\$ 7,050,000	\$ 605,000
Revenue bonds payable, Series 2007	20,260,000	-	395,000	19,865,000	410,000
Reoffering premium	104,079	-	7,174	96,905	-
<b>Total bonds</b>	<b>28,004,079</b>	<b>-</b>	<b>992,174</b>	<b>27,011,905</b>	<b>1,015,000</b>
<b>Other noncurrent liabilities</b>					
Accrued compensated absences	1,346,223	1,030,014	978,928	1,397,309	908,251
Deposits held in custody for others	124,243	82,480	104,855	101,868	-
Postemployment benefit obligation	135,051	60,699	65,951	129,799	65,951
<b>Total other noncurrent liabilities</b>	<b>1,605,517</b>	<b>1,173,193</b>	<b>1,149,734</b>	<b>1,628,976</b>	<b>974,202</b>
<b>Total noncurrent liabilities</b>	<b>\$29,609,596</b>	<b>\$ 1,173,193</b>	<b>\$ 2,141,908</b>	<b>\$28,640,881</b>	<b>\$ 1,989,202</b>

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	Beginning Balance	2010		Ending Balance	Current Portion
		Additions	Deductions		
<b>Bonds</b>					
Revenue bonds payable, Series 2005	\$ 8,215,000	\$ -	\$ 575,000	\$ 7,640,000	\$ 590,000
Revenue bonds payable, Series 2007	20,635,000	-	375,000	20,260,000	395,000
Reoffering premium	111,253	-	7,174	104,079	-
<b>Total bonds</b>	<b>28,961,253</b>	<b>-</b>	<b>957,174</b>	<b>28,004,079</b>	<b>985,000</b>
<b>Other noncurrent liabilities</b>					
Accrued compensated absences	1,419,985	794,404	868,166	1,346,223	861,583
Deposits held in custody for others	146,688	90,970	113,415	124,243	-
Postemployment benefit obligation	140,341	60,626	65,916	135,051	65,916
<b>Total other noncurrent liabilities</b>	<b>1,707,014</b>	<b>946,000</b>	<b>1,047,497</b>	<b>1,605,517</b>	<b>927,499</b>
<b>Total noncurrent liabilities</b>	<b>\$30,668,267</b>	<b>\$ 946,000</b>	<b>\$ 2,004,671</b>	<b>\$29,609,596</b>	<b>\$ 1,912,499</b>

***Revenue Bonds Payable***

On September 29, 2005, the University issued \$9,800,000 of Auxiliary System Refunding Revenue Bonds, Series 2005. The bonds bear interest, payable semiannually, at rates between 3.00% to 4.10%. Principal maturities began June 1, 2007, and continue until 2021. Proceeds from the issuance of these bonds were used to pay the costs of refunding the Auxiliary System Revenue Bonds, Series 2000 and Series 2001, to fund the Debt Service Reserve Fund and to pay certain costs of issuance related to the Series 2005 bond issue. At the option of the University, bonds maturing on or after June 1, 2016, may be called for redemption prior to maturity on or after June 1, 2015, at 100% of principal plus accrued interest to the redemption date.

On July 1, 2007, the University issued \$21,000,000 of Auxiliary System Subordinate Revenue Bonds, Series 2007. These bonds bear interest, payable semiannually, at rates of 4.0% to 5.125% beginning December 1, 2007. Principal maturities began June 1, 2009, and continue until 2037. Proceeds from issuance of the these bonds were used to finance the costs of the acquisition, construction, erection,

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equipping and furnishing of additions and renovations to the Auxiliary System (including a new 224-room student residence facility and the renovation of two other residence facilities), fund a Debt Service Reserve Fund and to pay the costs of issuing the bonds. At the option of the University, bonds maturing on or after June 1, 2018, may be called for redemption prior to maturity on or after June 1, 2017, at 100% of principal plus accrued interest to the redemption date.

The revenue bond issues, payable from and secured by net revenues of the Auxiliary Activity Fund, require the University to establish and fund various Debt Service Reserve Funds.

***Bond Defeasance***

In prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. On June 30, 2011, \$6,645,000 of bonds outstanding are considered defeased.

The debt service requirements as of June 30, 2011, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 2,273,336	\$ 1,015,000	\$ 1,258,336
2013	2,267,121	1,050,000	1,217,121
2014	2,294,271	1,120,000	1,174,271
2015	2,233,359	1,105,000	1,128,359
2016	2,187,779	1,105,000	1,082,779
2017 - 2021	11,299,651	6,630,000	4,669,651
2022 - 2026	6,921,766	3,465,000	3,456,766
2027 - 2031	6,925,131	4,430,000	2,495,131
2032 - 2036	6,918,969	5,680,000	1,238,969
2037 - 2041	1,382,394	1,315,000	67,394
	<u>\$ 44,703,777</u>	<u>\$ 26,915,000</u>	<u>\$ 17,788,777</u>

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**Note 6: Pension Plans**

***MOSERS***

The University contributes to the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the state of Missouri. Pension expense is recorded for the amount the University is contractually required to contribute for the year. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. State law assigns the authority to establish and amend benefit provisions to the plan's Board of Trustees, which is appointed by the Governor with the approval of the state legislature. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the plan at P.O. Box 209, Jefferson City, Missouri 65102, or by calling 573.751.2342.

The authority to establish and amend requirements of members and the University is set forth in state law and is vested in the plan's Board of Trustees. Plan member contributions are not required nor permitted. The University is required to contribute at an actuarially determined rate; the rate was 13.81% and 12.75% of annual covered payroll for 2011 and 2010, respectively. The University's contributions to the plan for the years ended June 30, 2011, 2010 and 2009, were \$2,606,452, \$2,383,734 and \$2,246,526, respectively, which equaled the required contributions for each year. The MOSERS funded status ratio was 80.4% and 83.0% as of June 30, 2010 and 2009, respectively.

The MOSERS funding policy provides for actuarially determined and Board approved, employer contributions using the entry-age normal cost method, consisting of normal cost and amortization of any unfunded accrued liabilities over an open 30-year period. Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by state statute to be funded in advance. Any amendments to the plan are established by change in state statute.

***CURP***

Beginning July 1, 2002, all full-time faculty are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan that uses TIAA-CREF as its third-party administrator. CURP provides a retirement program that offers interstate portability, immediate vesting and no minimum service requirement. MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

The University is required to contribute at an actuarially determined rate; the rate was 7.77% and 7.71% of annual covered payroll for 2011 and 2010, respectively. The University's contributions to the plan for the years ended June 30, 2011, 2010 and 2009, were \$284,236, \$230,021 and \$211,265, respectively, which equaled the required contributions for each year.

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**Note 7: Postemployment Health Care Plan**

The University offers postretirement medical benefits to its retirees (and their dependents) who qualify for certain pension benefits. The Plan is funded on a pay-as-you-go basis and therefore, is not a funded plan. All participating retirees, except professors who have obtained emeritus status, are required to contribute the entire amount of the monthly premium, which is determined annually on a pooled basis for the University's healthcare plan. Premiums for retirees 64 years of age and under ranged from \$740 to \$2,416 during 2011 and 2010, depending on the coverage selected. Premiums for retirees over age 65 ranged from \$158 to \$463 during 2011 and \$223 to \$527 during 2010, depending on the coverage.

The University pays the full healthcare premium for professors who have attained emeritus status upon retirement. To be eligible an employee must hold professional rank and have served the University for at least 20 years. The University paid health insurance premiums for 22 professor emeritus for 2011 and 2010. Health insurance premiums for these retirees totaled \$65,951 and \$65,916 in 2011 and 2010, respectively.

Retiree health coverage is available for each of the lifetimes of retirees and participating spouses. The plan is operated as a fully insured arrangement and benefits are provided through a POS Open Access structure. Currently, for retirees and spouses over age 65, the coverage is secondary to Medicare and retirees must be enrolled in Parts A and B.

Starting in January 2009, all Medicare retirees were required to enroll in separate fully insured Medicare Supplement and Part D Drug plans as part of a Lincoln University Retiree Group Plan. Therefore, the age-approximating premium for post 65 retirees will equal the carrier-charged premium since the rated group will be comprised solely of individuals of a similar age.

Also starting in 2009, the University began charging pre-65 retirees a contribution premium equal to a factor times the pooled premium rate. The pooled premium rate is the rate charged to the University based on the combined experience of all pre-Medicare participants including actives and pre-65 retirees. The factor applied to the pooled rate is based on the State of Missouri Health System's pre-65 retiree group rate relative to its active employee rate.

Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* reporting as a single-employer plan, requires recognition of expenses for postemployment benefits as services are performed, regardless of the timing of the related benefit payments. Application of GASB 45 has been made using a prospective recognition method.

The University's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the University's net OPEB obligation to the plan:

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Normal cost	\$ 13
Amortization payment	62,543
Interest on normal cost and amortization payment	-
Annual required contribution	62,556
Interest on net OPEB obligation	6,077
Less adjustment to the annual required contribution	7,934
Annual OPEB cost	60,699
Contributions made	65,951
Decrease in net OPEB obligation	5,252
Net OPEB obligation at June 30, 2010	135,051
 Net OPEB obligation at June 30, 2011	 \$ 129,799

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2011 and 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 60,626	108.7%	\$ 135,051
6/30/2011	\$ 60,699	108.7%	\$ 129,799

The funded status of the plan as of the actuarial valuation date is as follows:

Actuarial accrued liability	\$ 1,064,605
Actuarial value of assets	-
Total unfunded actuarial liability	\$ 1,064,605
 Funded ratio	 0.0%
 Annual covered payroll	 \$ 18,048,020
 Ratio of unfunded actuarial liability to covered payroll	 5.9%

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Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A Schedule of Funding Progress, presented as Required Supplementary Information, follows the notes to the financial statements. The Schedule of Funding Progress will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation performed as of July 1, 2009, and on the pattern of cost sharing between the employers and members to that point.

The actuarial methods and assumptions utilized in the valuation were as follows:

Actuarial cost method	Projected Unit Credit
UAAL amortization method	Level Dollar Amount
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	4.50%
Healthcare cost trend rate	8.5%, decreasing to 5.5% in 2016

**Note 8: Commitments and Contingencies**

***Claims and Litigation***

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University. At June 30, 2011 and 2010, there was no accrual recorded in the statements of net assets.

***Government Grants***

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

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***Cash and Investments***

The University is a participant in the financial industry through its ongoing contractual arrangements with financial institutions such as investment banks, commercial banks and investment agreement providers. In the current financial environment, it is possible that a financial institution could have financial difficulty in the near term that could impact its ability to honor its contractual obligations, which could negatively impact the financial condition of the University.

***Current Economic Conditions***

The current economic environment presents colleges and universities with unprecedented circumstances and challenges, which in some cases may result in declines in enrollment revenues, government support and contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the University.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements, including allowances for student receivables, could change rapidly, resulting in material future adjustments. The University could experience difficulty meeting debt covenants or maintaining sufficient liquidity should significant changes occur.

**Note 9: Governmental Grants and Contracts – Facility and Administration Costs**

The University recovers facility and administration costs under certain grants and contracts with federal agencies, and these are recorded as operating revenue. Facility and administration costs rates vary according to the terms of the grant award or contract with most rates being based upon salaries and wages.

**Note 10: Risk Management**

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The State of Missouri self-insures workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

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**Note 11: Natural Classifications with Functional Classifications**

For the years ended June 30, 2011 and 2010, the following table represents operating expenses with both natural and functional classifications:

	<b>2011</b>						
	<b>Compensation and Benefits</b>	<b>Contractual Services</b>	<b>Travel</b>	<b>Supplies and Materials</b>	<b>Utilities</b>	<b>Other</b>	<b>Total</b>
Instruction	\$ 11,781,956	\$ 273,109	\$ 157,746	\$ 389,061	\$ 421	\$ 220,829	\$ 12,823,122
Research	4,637,185	1,640,650	197,886	679,223	157,842	190,469	7,503,255
Community service	5,164,168	818,834	289,984	299,100	68,058	220,251	6,860,395
Academic support	2,386,487	52,635	54,532	99,077	211	238,499	2,831,441
Student services	3,495,826	617,102	436,954	291,434	-	478,029	5,319,345
Institutional support	5,140,448	2,919,405	188,896	172,471	103,263	367,621	8,892,104
Operations and maintenance of plant	1,815,931	185,952	13,647	230,850	1,304,533	41,293	3,592,206
Scholarships and fellowships	-	-	-	-	-	-	424,082
Depreciation and amortization	-	-	-	-	-	-	5,844,242
	<u>\$ 34,422,001</u>	<u>\$ 6,507,687</u>	<u>\$ 1,339,645</u>	<u>\$ 2,161,216</u>	<u>\$ 1,634,328</u>	<u>\$ 1,756,991</u>	<u>\$ 54,090,192</u>

	<b>2010</b>						
	<b>Compensation and Benefits</b>	<b>Contractual Services</b>	<b>Travel</b>	<b>Supplies and Materials</b>	<b>Utilities</b>	<b>Other</b>	<b>Total</b>
Instruction	\$ 11,553,706	\$ 594,488	\$ 181,772	\$ 462,253	\$ 209	\$ 222,441	\$ 13,014,869
Research	3,661,647	1,689,884	189,785	747,701	176,102	156,158	6,621,277
Community service	3,722,828	764,971	291,190	267,074	49,505	276,385	5,371,953
Academic support	2,834,499	98,911	57,019	79,457	418	266,112	3,336,416
Student services	3,449,230	953,507	607,715	325,012	-	466,066	5,801,530
Institutional support	5,368,040	2,465,566	193,281	299,199	103,596	487,996	8,917,678
Operations and maintenance of plant	1,941,831	320,768	6,196	317,775	1,182,070	50,521	3,819,161
Scholarships and fellowships	-	-	-	-	-	-	472,242
Depreciation and amortization	-	-	-	-	-	-	5,660,135
	<u>\$ 32,531,781</u>	<u>\$ 6,888,095</u>	<u>\$ 1,526,958</u>	<u>\$ 2,498,471</u>	<u>\$ 1,511,900</u>	<u>\$ 1,925,679</u>	<u>\$ 53,015,261</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 12: Lincoln University Foundation, Inc.**

***Contributions***

The Foundation records pledges by donors, including unconditional promises to give, as revenues in the period in which pledges are made, at their estimated net realizable values. Pledges which are conditional promises to give are recognized as revenues at their estimated net realizable value in the period in which the conditions are met.

Under GAAP, contributions of services should be recognized in the financial statements if the services received create or enhance nonfinancial assets or if the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation received contributions of employee services from Lincoln University meeting the aforementioned criteria during the years ended June 30, 2011 and 2010, with an estimated value of \$175,560 and \$65,835, respectively.

Contributions are classified into net asset categories based on the existence or absence of donor-imposed restrictions, stipulations on use of a contributed asset that is more specific than broad limits resulting from the Foundation's basic mission and environment in which it operates. Temporary restrictions are donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Permanent restrictions are donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. When a donor, with the Foundation's Board of Directors' approval, wants all or a portion of a prior permanently restricted gift to be released from its permanent restriction, permanently restricted net assets are reclassified to either unrestricted or temporarily restricted net assets, depending on the donor's revised request. Assets without donor-imposed restrictions, including assets designated for specific use by the Foundation's Board of Directors, are included in unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Investments***

The Foundation contracts with an investment manager to buy, sell and hold investment securities under the Foundation's investment policy guidelines. The Foundation's main investment strategy has been to maximize the total return to meet general endowment and operating needs.

**Lincoln University**  
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**June 30, 2011 and 2010**

The aggregate amount of investments summarized by major type at June 30, 2011 and 2010, was as follows:

	<b>2011</b>	
	<b>Cost</b>	<b>Carrying Amount</b>
Money market funds	\$ 61,183	\$ 61,183
Fixed income securities	1,528,013	1,560,573
Equity securities	<u>3,750,220</u>	<u>4,088,595</u>
Total investments	<u><u>\$ 5,339,416</u></u>	<u><u>\$ 5,710,351</u></u>
	<b>2010</b>	
	<b>Cost</b>	<b>Carrying Amount</b>
Money market funds	\$ 388,022	\$ 388,022
Fixed income securities	862,817	919,402
Equity securities	<u>3,690,525</u>	<u>3,108,117</u>
Total investments	<u><u>\$ 4,941,364</u></u>	<u><u>\$ 4,415,541</u></u>

Investment return consisted of the following for the years ended June 30, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Dividends and interest	\$ 161,496	\$ 114,447
Realized and unrealized gains and losses	<u>910,754</u>	<u>376,108</u>
Total investment return	<u><u>\$ 1,072,250</u></u>	<u><u>\$ 490,555</u></u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Restrictions on Net Assets**

Temporarily restricted net assets at June 30, 2011 and 2010, are available for the following purposes:

	<b>2011</b>	<b>2010</b>
KJLU radio station	\$ 140,015	\$ 127,107
Lincoln University athletic programs	31,346	45,095
Lincoln University academic departments	45,572	40,399
Other Lincoln University programs	11,251	32,762
Lincoln University capital projects maintenance	5,394	90,180
General assistance for Lincoln University students	3,014	5,337
Loan funds for Lincoln University students	2,996	5,351
Promised to give in future years	99,736	8,113
General support of Lincoln University	88,565	87,103
Scholarships for Lincoln University students	2,509,056	1,533,354
	<u>\$ 2,936,945</u>	<u>\$ 1,974,801</u>

Permanently restricted net assets consisted of the following at June 30, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Scholarships for Lincoln University students	\$ 3,252,502	\$ 3,299,116
Loan funds for Lincoln University students	10,000	5,000
	<u>\$ 3,262,502</u>	<u>\$ 3,304,116</u>

**Endowment Funds**

The composition of the Foundation's endowment by net asset classification for the year ended June 30 was as follows:

	<b>Unrestricted</b>	<b>2011 Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 2,170,160	\$ 3,262,502	\$ 5,432,662
Board-designated endowment funds	-	-	-	-
	<u>\$ -</u>	<u>\$ 2,170,160</u>	<u>\$ 3,262,502</u>	<u>\$ 5,432,662</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

	Unrestricted	2010		Total
		Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 1,123,284	\$ 3,304,116	\$ 4,427,400
Board-designated endowment funds	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,123,284</u>	<u>\$ 3,304,116</u>	<u>\$ 4,427,400</u>

***Fair Value of Financial Instruments***

For assets and liabilities required to be reported at fair value, GAAP prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified with Level 3 of the hierarchy).

The fair value hierarchy as prescribed by GAAP is as follows:

- Level 1** Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.
- Level 2** Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
- Level 3** Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity.

The Foundation's assets measured at fair value on a recurring basis as of June 30, 2011 and 2010, aggregated by the level in the fair value hierarchy within which those measurements fall, were as follows:

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Description	2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 61,183	\$ 61,183	\$ -	\$ -
Fixed income mutual funds	1,560,573	1,560,573	-	-
Equity mutual funds				
Growth funds	492,266	492,266	-	-
Value funds	957,299	957,299	-	-
Index funds	1,083,033	1,083,033	-	-
International funds	1,011,658	1,011,658	-	-
Emerging markets funds	544,339	544,339	-	-
Total equity mutual funds	<u>4,088,595</u>	<u>4,088,595</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,710,351</u>	<u>\$ 5,710,351</u>	<u>\$ -</u>	<u>\$ -</u>

Description	2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 388,022	\$ 388,022	\$ -	\$ -
Certificates of deposit	53,139	-	53,139	-
Fixed income mutual funds	866,263	866,263	-	-
Equity mutual funds				
Growth funds	370,277	370,277	-	-
Value funds	734,727	734,727	-	-
Index funds	763,846	763,846	-	-
International funds	900,310	900,310	-	-
Emerging markets funds	338,957	338,957	-	-
Total equity mutual funds	<u>3,108,117</u>	<u>3,108,117</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 4,415,541</u>	<u>\$ 4,362,402</u>	<u>\$ 53,139</u>	<u>\$ -</u>

**Lincoln University**  
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**Notes to Financial Statements**  
**June 30, 2011 and 2010**

***Notes Payable***

The Foundation has a note payable to a local financial institution maturing in March 2012, with a floating interest rate equal to the prime rate minus 1/2%, and with a floor of 4.25%. The interest rate was 4.25% at June 30, 2011. The note is secured by investments owned by the Foundation. Interest expense totaled \$11,047 and \$16,156 for the years ended June 30, 2011 and 2010, respectively. The note proceeds were used for the Soldiers' Memorial Plaza Project at Lincoln University.

## **Required Supplementary Information**

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Required Supplementary Information**  
**Schedule of Prior Year Funding Progress**  
**June 30, 2011**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
7/1/2009	\$ -	\$ 1,064,605	\$ 1,064,605	0%	\$18,048,020	5.9%
7/1/2007	\$ -	\$ 2,711,406	\$ 2,711,406	0%	\$16,177,687	16.8%

## **Supplementary Information**

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Auxiliary Activity Fund**  
**Schedules of Revenues and Expenses**  
**Years Ended June 30, 2011 and 2010**

	2011					Total
	Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	
<b>Revenues</b>						
Residence hall contracts	\$ 2,775,500	\$ -	\$ -	\$ -	\$ -	\$ 2,775,500
Housing system appropriation	797,464	-	-	-	-	797,464
Food service	-	1,954,902	-	-	-	1,954,902
Bookstore	-	-	146,261	-	-	146,261
Other	-	-	-	33,554	-	33,554
Vending	-	-	-	31,096	-	31,096
	<u>3,572,964</u>	<u>1,954,902</u>	<u>146,261</u>	<u>64,650</u>	<u>-</u>	<u>5,738,777</u>
<b>Direct Expenses</b>						
Salaries and wages	456,219	-	-	97,437	91,897	645,553
Fringe benefits	154,505	-	-	37,139	38,588	230,232
Equipment purchases	3,533	-	-	-	775	4,308
Contractual services	118,747	1,285,391	-	3,759	1,292	1,409,189
Travel	323	-	-	617	-	940
Supplies, cost of sales	55,235	-	-	1,379	9,162	65,776
Communications	12,046	(1,452)	(1,508)	2,492	10,899	22,477
Utilities	564,817	-	-	-	-	564,817
Other operating	223,142	435	-	1,264	725	225,566
	<u>1,588,567</u>	<u>1,284,374</u>	<u>(1,508)</u>	<u>144,087</u>	<u>153,338</u>	<u>3,168,858</u>
<b>Excess (Deficiency) of Revenues Over Direct Expenses</b>	<u>\$ 1,984,397</u>	<u>\$ 670,528</u>	<u>\$ 147,769</u>	<u>\$ (79,437)</u>	<u>\$(153,338)</u>	<u>2,569,919</u>
<b>Indirect Expenses</b>						
Bad debts						43,100
Audit						10,000
Revenue bond trustee fees						5,277
Custodial services						281,947
						<u>340,324</u>
<b>Other Income</b>						
Interest income						<u>226</u>
<b>Excess of Revenues Over Expenses</b>						2,229,821
<b>Mandatory Transfer for Principal and Interest on Indebtedness</b>						(2,283,131)
<b>Transfer In</b>						<u>40,000</u>
<b>Net Increase (Decrease) for the Year</b>						(13,310)
<b>Net Assets, Beginning of Year</b>						<u>1,764,856</u>
<b>Net Assets, End of Year</b>						<u>\$ 1,751,546</u>

<b>2010</b>					
<b>Dormitories</b>	<b>Cafeteria</b>	<b>Bookstore</b>	<b>Vending and Other</b>	<b>Student Union</b>	<b>Total</b>
\$ 2,840,814	\$ -	\$ -	\$ -	\$ -	\$ 2,840,814
788,284	-	-	-	-	788,284
-	1,801,215	-	-	-	1,801,215
-	-	152,748	-	-	152,748
-	-	-	31,294	-	31,294
-	-	-	35,464	-	35,464
<u>3,629,098</u>	<u>1,801,215</u>	<u>152,748</u>	<u>66,758</u>	<u>-</u>	<u>5,649,819</u>
509,415	-	-	112,474	131,046	752,935
201,245	-	-	26,604	52,231	280,080
2,500	-	-	-	3,750	6,250
201,101	1,225,077	-	9,079	14,491	1,449,748
3,950	-	-	2,762	340	7,052
50,380	403	-	5,429	27,035	83,247
10,803	(2,341)	(2,023)	2,476	10,766	19,681
526,108	-	-	-	209	526,317
214,977	725	-	3,479	1,624	220,805
<u>1,720,479</u>	<u>1,223,864</u>	<u>(2,023)</u>	<u>162,303</u>	<u>241,492</u>	<u>3,346,115</u>
<u>\$ 1,908,619</u>	<u>\$ 577,351</u>	<u>\$ 154,771</u>	<u>\$ (95,545)</u>	<u>\$ (241,492)</u>	<u>2,303,704</u>
					49,871
					10,473
					6,740
					<u>377,254</u>
					<u>444,338</u>
					<u>778</u>
					1,860,144
					(2,282,294)
					<u>285,000</u>
					(137,150)
					<u>1,902,006</u>
					<u>\$ 1,764,856</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Cluster/Program	Federal Agency/ Pass-Through Entity
<b>Student Financial Aid</b>	
Federal Pell Grant Program (09-10)	U.S. Department of Education
Federal Pell Grant Program (10-11)	U.S. Department of Education
Federal Pell Administrative Cost Allowance	U.S. Department of Education
Federal Workstudy Program (09-10)	U.S. Department of Education
Federal Workstudy Program (10-11)	U.S. Department of Education
Federal Supplemental Educational Opportunity Grants (10-11)	U.S. Department of Education
Federal Direct Student Loans (09-10)	U.S. Department of Education
Federal Direct Student Loans (10-11)	U.S. Department of Education
Academic Competitiveness Grants (10-11)	U.S. Department of Education
National Science and Mathematics Access to Retain Talent (SMART) Grants (10-11)	U.S. Department of Education
<b>State Stabilization Funds</b>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	U.S. Department of Education/ State of Missouri
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	U.S. Department of Education/ State of Missouri
<b>Research and Development</b>	
Cooperative Research, Education and Extension Service	U.S. Department of Agriculture
Center for Agriculture/Environmental Experimental Learning	U.S. Department of Agriculture
Personal Response System	U.S. Department of Agriculture
Reducing Arsenic Uptake by Domestic Rice	U.S. Department of Agriculture
Using Experiential Learning in Natural Resources to Mentor Students' Professional Development	U.S. Department of Agriculture
Nano-Biotechnology	U.S. Department of Agriculture
Microalgae Based Biofuels and Bioproducts	U.S. Department of Agriculture
Attracting Minority Students to Environmental Science	U.S. Department of Agriculture
Gardening as Therapy to Improve Physical and Mental Health	U.S. Department of Agriculture
Tracking Dissolved Organic Nitrogen in Terrestrial Aquatic Systems Using Fluorescence EEM Spectroscopy	U.S. Department of Agriculture
Natural Herbs as De-Wormers	U.S. Department of Agriculture/ University of Minnesota
Evaluate Newly Designed Least Cost Experimental Diets for Bluegill at Commercial Densities	U.S. Department of Agriculture
Establish Office of Research & Development	U.S. Department of Health and Human Services/National Institutes of Health
Climate Change, Mitigation and Adaptation in Corn-Based Cropping Systems	U.S. Department of Agriculture/ Iowa State University
Effect of Living Mulch on Yield of Sweet Corn	U.S. Department of Agriculture
Analysis of the Best Practices in Organic and High Tunnel Vegetable Production	U.S. Department of Agriculture
Analysis of the Best Practices in Organic and High Tunnel Vegetable Production	U.S. Department of Agriculture

<b>CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Amount Expended</b>
84.063	E-P063P091741	\$ (1,468)
84.063	P063P101741	7,529,313
84.063		9,420
84.033	E-P033A092336	7,552
84.033	P033A102336	166,314
84.007	P007A102336	101,693
84.268	P268K101741	100,879
84.268	P268K111741	16,192,914
84.375	P375A101741	32,165
84.376	P376S101741	16,000
		<u>24,154,782</u>
84.394		852,582
84.397		164,242
		<u>1,016,824</u>
10.205	CREN08911	3,793,746
10.216	2006-38820-17589	25,007
10.216	2007-38820-18500	20,462
10.216	2008-38814-04727	154,316
10.216	2008-38820-04783	50,491
10.216	2008-38820-04793	91,438
10.216	2010-38821-21444	11,835
10.216	2010-38821-21443	8,549
10.216	2010-38821-21525	55,376
10.216	2010-38821-21558	5,457
10.215	2007-38640-18363	982
10.200	2008-38500-19157	8,050
93.865	1G11 HDO 52363-01	101,371
10.310	2011-68002-30190	18,699
10.912	NRCS-69-6424-10-107	3,481
10.912	NRCS-68-6424-10-121	27,311
10.902	NRCS-68-6424-10-121	27,310

**Lincoln University**  
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**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Cluster/Program	Federal Agency/ Pass-Through Entity
<b>Research and Development (Continued)</b>	
Validation of PSS-14 Audio	U.S. Department of Defense
ARRA - A Time for Freshman Physics in Missouri	National Science Foundation/ University of Missouri
ARRA - Renovation & Upgrade of Research Space	National Science Foundation
A Model for Achieving Success in STEM (AMASS)	National Science Foundation
The Effects of Soil Properties on Anti-Personnel Land Mine Detection Reliability	U.S. Army Research Laboratory/ Leonard Wood Institute
Developing a Semiochemically Based Mass Trapping System for Cucumber Beetle Management in Missouri	U.S. Department of Agriculture/ University of Illinois
Multi-Threat Detection Initiative (MTDI)	U.S. Army Research, Development and Engineering Command
Standoff Detection Laser CBE Capability Upgrade	U.S. Army Research Laboratory/ Alakai
Reality V Based Training Video	U.S. Army Research, Development and Engineering Command Acq Center
Development of a Military Family Violence Prevention Program	U.S. Army Research Laboratory/ Leonard Wood Institute
Dynamic Family Enrichment Program for the U.S. Army	U.S. Army Research Laboratory/ Leonard Wood Institute
Chemical, Biological, Radiological, Nuclear, & Explosive Standoff Detection Laser	U.S. Department of Defense/ Leonard Wood Institute/ Alakai
Image Reconstruction Software Development for Laser-Based Ultrasound Detection of Unexploded Ordinance	U.S. Department of Defense/ Leonard Wood Institute
Improving Military Readiness to Support Civil Authorities	U.S. Department of Defense/ Leonard Wood Institute
ARRA - Novel 3 Dimensional Biosensor for Rapid Detection	National Science Foundation/ University of Missouri
Plant Growth Experiment	National Science Foundation/ Missouri Institute of Science & Technology

<b>CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Amount Expended</b>
12.431	W911NF-07-2-0062	\$ 113,012
47.082	DUE-0928924	10,579
47.082	DBI-0963226	97,717
47.076	HRD-1036091	120,183
12.431	W911NF-07-2-0062	225,053
10.303	2007-04967-35	3,146
None	W911SR-11-C-0010	889,163
12.431	W911NF-07-2-0062	24,588
12.431	W911NF-09-2-0063	536,344
12.431	W911NF-07-2-0062	33,803
12.431	W911NF-07-2-0062	343,677
		61,562
12.431	W911NF-07-2-0062	
12.431	W911NF-07-2-0062	8,493
12.431	W911NF-07-2-0062	375,641
47.082	ECCS - 0925612	64,801
47.041	NSF ECCS-0644679	411
		<u>7,312,054</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Cluster/Program	Federal Agency/ Pass-Through Entity
<b>Cooperative Extension</b>	
Cooperative Extension Programs	U.S. Department of Agriculture
Satellite & Off-Campus Enhancement & Expansion	U.S. Department of Agriculture
RREA – Renewable Resource Extension Account	U.S. Department of Agriculture
EFNEP – Expanded Food Nutritional Program	U.S. Department of Agriculture
Extension for Meat Goat Industry	U.S. Department of Agriculture/ University of Nebraska
Sustainable Agriculture Professional	U.S. Department of Agriculture/ University of Minnesota/UMC
Socially Disadvantaged Farmers and Ranchers	U.S. Department of Agriculture
Goat Industry Community of Practice	U.S. Department of Agriculture
North Central Region Sustainable Agriculture Research and Education	U.S. Department of Agriculture/ University of Minnesota
McIntire Stennis Cooperative Forestry Act Funds	U.S. Department of Agriculture
State Abstinence Education Primary Prevention Program	Department of Health and Human Services/ Missouri Department of Health and Senior Services
Vegetable Grafting Training for Agricultural Professionals	U.S. Department of Agriculture/ University of Minnesota
<b>Higher Education Institutional Aid (Endowment Fund)</b>	U.S. Department of Education
<b>Higher Education Institutional Aid</b>	U.S. Department of Education
<b>Higher Education Institutional Aid</b>	U.S. Department of Education
<b>Higher Education Institutional Aid</b>	U.S. Department of Education
<b>Animal and Plant Health Inspection Service</b>	U.S. Department of Agriculture

<b>CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Amount Expended</b>
10.500	EF4408911	\$ 3,321,213
10.500	2003-45200-01765	586,039
10.500	4600008911	16,148
10.500		235,908
10.500	4-98-2-23	27,827
10.500	H408905213	1,273
10.443	2009-39300-20152	85,249
10.500	2007-41595-03903	19,232
10.500		31,552
None	2010-32100	47,980
93.235	1001MOAEGP	21,664
10.500	2008-47001-04671	22,639
		<u>4,416,724</u>
84.031B		793,054
84.031B	P031B070025	2,046,201
84.031B	P031B085025	501,610
84.031B	P031B100021	205,246
		<u>3,546,111</u>
10.028	09-7100-0025-CA	<u>44,036</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

<b>Cluster/Program</b>	<b>Federal Agency/ Pass-Through Entity</b>
<b>International Training – Foreign Participant</b>	
Farmer to Farmer Program	U.S. Department of Agriculture/U.S. Agency for International Development
Turkey - Food Safety	U.S. Department of Agriculture/Cochran Fellowship
Animal Safety	U.S. Department of Agriculture/Cochran Fellowship
Kazakhstan - Food Safety	U.S. Department of Agriculture/Cochran Fellowship
Armenia - Cheese, Chocolate, & Dairy	U.S. Department of Agriculture/Cochran Fellowship
Meat Quality, Handling and Beef Management	U.S. Department of Agriculture/Cochran Fellowship
Thailand - US Compliance on SPS Agreement for Animal Regulations	U.S. Department of Agriculture/Cochran Fellowship
Coratia - Veterinary	U.S. Department of Agriculture/Cochran Fellowship
Food Safety Risk Assessment Training - Vietnam	U.S. Department of Agriculture/Cochran Fellowship
<b>Trio Student Support Services</b>	U.S. Department of Education
<b>Trio Student Support Services</b>	U.S. Department of Education
<b>Improving Teacher Quality State Grants</b>	U.S. Department of Education/Missouri Department of Higher Education
<b>Improving Teacher Quality State Grants</b>	U.S. Department of Education/Missouri Department of Higher Education
<b>Double Dutch and Obesity Reduction Project</b>	U.S. Department of Health and Human Services/OPHS/RHA
<b>Outsourcing the Academic Phase of Training for the US Army Prime Power School</b>	U.S. Army Core of Engineers
<b>FA30 Training</b>	MICC DOC Leavenworth
<b>Missouri Space Grant Consortium</b>	NASA/Missouri University of Science and Technology
<b>Missouri Space Grant Consortium</b>	NASA/Missouri University of Science and Technology
<b>IREX Cultural Exchange Services</b>	U.S. Department of State/IREX

CFDA Number	Grant or Identifying Number	Amount Expended
10.962		\$ 725
10.962	58-3148-5-080	41
10.962	58-3148-5-080	453
10.962	58-3148-5-080	1
10.962	58-3148-0-242	18,225
10.962	58-3148-0-242	17,247
10.962	58-3148-0-242	18,011
10.962	58-3148-5-080	14,220
10.962	58-3148-5-080	64
		<u>68,987</u>
84.042A	P042A101390	240,971
84.042A	P042A051275	53,157
		<u>294,128</u>
84.367B		(1,336)
84.367B		110,988
		<u>109,652</u>
None		<u>378</u>
None	W912HQ-11-D-0003	<u>187,881</u>
None	W91QF4-120-C-0003	<u>20,766</u>
43.001	NNX10AI92H	4,900
43.000	NNG05GJ21H	8,682
		<u>13,582</u>
None	S-ECAAE-08-CA-033	<u>11,696</u>
		<u>\$ 41,197,601</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

***Notes to Schedule***

1. This schedule includes the federal awards activity of Lincoln University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Universities*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Lincoln University provided no federal awards to subrecipients during the year.

**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance with  
Government Auditing Standards**

Board of Curators  
Lincoln University  
Jefferson City, Missouri

We have audited the financial statements of Lincoln University as of and for the year ended June 30, 2011, and have issued our report thereon dated October 13, 2011, which contained a reference to the report of other accountants. 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. Other accountants audited the financial statements of Lincoln University Foundation, Inc., as described in our report on the University's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of Lincoln University Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Board of Curators  
Lincoln University

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing body, management and others within the University and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**BKD, LLP**

October 13, 2011

## **Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Curators  
Lincoln University  
Jefferson City, Missouri

### **Compliance**

We have audited the compliance of Lincoln University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the compliance of Lincoln University based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

As described in item 11-1 in the accompanying schedule of findings and questioned costs, Lincoln University did not comply with requirements regarding special tests and provisions related to timely notification of student enrollment status changes applicable to its Student Financial Aid program. Compliance with such requirements is necessary, in our opinion, for Lincoln University to comply with requirements applicable to that program.

As described in item 11-3 in the accompanying schedule of findings and questioned costs, Lincoln University did not comply with requirements regarding reporting applicable to its Research and Development program. Compliance with such requirements is necessary, in our opinion, for Lincoln University to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, Lincoln University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-2 and 11-4.

### ***Internal Control Over Compliance***

The management of Lincoln University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-1 and 11-3 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-2 and 11-4 to be significant deficiencies.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

**Summary of Auditor's Results**

1. The opinion expressed in the independent accountants' report was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
2. The independent accountants' report on internal control over financial reporting disclosed:  

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?  
 Yes     No
  
4. The independent accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:  

Significant deficiency(ies)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Material weakness(es)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
  
5. The opinions expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards was:  

Student Financial Aid Cluster			
<input type="checkbox"/> Unqualified	<input checked="" type="checkbox"/> Qualified	<input type="checkbox"/> Adverse	<input type="checkbox"/> Disclaimed
Research and Development Cluster			
<input type="checkbox"/> Unqualified	<input checked="" type="checkbox"/> Qualified	<input type="checkbox"/> Adverse	<input type="checkbox"/> Disclaimed
Cooperative Extension Cluster			
<input checked="" type="checkbox"/> Unqualified	<input type="checkbox"/> Qualified	<input type="checkbox"/> Adverse	<input type="checkbox"/> Disclaimed
State Fiscal Stabilization Fund Cluster			
<input checked="" type="checkbox"/> Unqualified	<input type="checkbox"/> Qualified	<input type="checkbox"/> Adverse	<input type="checkbox"/> Disclaimed

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

6. The audit disclosed findings required to be reported by OMB Circular A-133?  Yes  No

7. The University's major programs were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	Various
Research and Development Cluster	Various
Cooperative Extension Cluster	Various
State Fiscal Stabilization Fund Cluster	Various

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,235,928.

9. The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  Yes  No

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
No matters are reportable.		

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

**Findings Required to be Reported by OMB Circular A-133**

Reference Number	Finding	Questioned Costs
11-1	<p style="text-align: center;">CFDA Number 84.268            Federal Direct Student Loans            U.S. Department of Education            Student Financial Aid Cluster            Program Year 2010-2011</p> <p>Criteria or Specific Requirement – Special tests and provisions related to notifying the National Student Loan Data System (NSLDS) of student enrollment status changes on a timely basis.</p> <p>Condition – Four student enrollment status change dates were communicated incorrectly to NSLDS.</p> <p>Context – Out of a population of 522 student enrollment status changes requiring lender notification, a sample of 25 student status changes was selected for testing.</p> <p>Effect – NSLDS was not notified of student enrollment status changes with the correct information of the change.</p> <p>Cause – A computer system entry error caused the incorrect status change date to be reported to NSLDS for one student and caused incorrect statuses to be reported for two students. The remaining student had a unique graduation circumstance and the status change was not communicated.</p> <p>Recommendation – The University should ensure personnel handling the Roster File submission are including all students with changes in student enrollment on a timely basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We concur with the finding and recommendation. Records Office will monitor submission files to ensure that accurate and timely submissions are made. Any manual status changes will be submitted immediately rather than waiting for the next submission file.</p>	None

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

Reference Number	Finding	Questioned Costs
11-2	CFDA Number 84.268, Award Number P268K111741 Federal Direct Student Loans CFDA Number 84.063, Award Number P063P101741 Federal Pell Grant Program CFDA Number 84.375, Award Number P375A101741 Academic Competitiveness Grants CFDA Number 84.376, Award Number P376S101741 National Science and Mathematics Access to Retain Talent Grants CFDA Number 84.033, Award Number P033A102336 Federal Workstudy Program CFDA Number 84.007, Award Number P007A102336 Federal Supplemental Education Opportunity Grants U.S. Department of Education Student Financial Aid Cluster Program Year 2010-2011	\$1,620

Criteria or Specific Requirement – Eligibility

Condition – One student’s financial aid was incorrectly awarded. The student was over awarded subsidized direct loans.

Context – Out of a population of 2,744 students receiving federal aid during the year, a sample of 25 was selected for testing.

Effect – One student was over awarded subsidized direct loans.

Cause – The incorrect Estimated Family Contribution was entered into the system causing the system to award more subsidized loans than the student was eligible.

Recommendation – The University should monitor information that is being input into its financial aid software.

Views of Responsible Officials and Planned Corrective Actions – We concur with the finding and recommendation. The University will review awards prior to processing student loans for the term intended. Adjustments will be made accordingly to reflect the correct COA as it relates to the EFC and awarded financial aid awards.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

Reference Number	Finding	Questioned Costs
11-3	CFDA Number 10.205, Award Number CREN08911 Cooperative Research, Education and Extension Service U.S. Department of Agriculture CFDA 12.431, Award Number W911NF-09-2-0063 Reality V Based Training Video U.S. Army Research Development and Engineering Command Acq Center Research and Development Cluster Program Year 2010-2011	None

Criteria or Specific Requirement – Reporting

Condition – One report had incorrect information reported. One report was not filed timely.

Context – Out of a population of 25 reports required during the year, a sample of 4 were selected for testing.

Effect – One report had the incorrect basis of accounting reported. One report was not filed timely.

Cause – The grant accounting department checked the incorrect box on one report and forgot to file the other report.

Recommendation – The University should monitor information that is being input into grant reports and track when reports are due.

Views of Responsible Officials and Planned Corrective Actions – The University concurs with the recommendation. The Controller’s Office has had staffing changes in its grant accounting office subsequent to the report due date. At that time, the University implemented a tracking/reminder system to ensure timely reporting.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**

Reference Number	Finding	Questioned Costs
11-4	CFDA 10.500, Award Number EF4408911 Cooperative Extension Programs U.S. Department of Agriculture Cooperative Extension Cluster Program Year 2009-2010	\$103,259

Criteria or Specific Requirement – Matching, level of effort, earmarking

Condition – The University could not substantiate a portion of the matching requirement of the grant.

Context – The grant requires 100% matching. Each year the University obtains a waiver for a portion of the matching requirement of the grant requested at the beginning of the grant period for the amount expected not to be met. The University was not able to provide documentation of a waiver for the total amount of the matching requirement not met.

Effect – The University was not able to provide documentation of a waiver for the total amount of the matching requirement not met based on actual results.

Cause – Actual results of the matching of the University did not meet the expected amount as originally reported to the agency.

Recommendation – The University should monitor matching requirements and discuss additional waivers with granting agency.

Views of Responsible Officials and Planned Corrective Actions – The University submits an initial waiver request when federal appropriations are allocated. Historically, when the final financial report (SF425) is submitted, a revised waiver (if necessary) is requested by NIFA and submitted accordingly. In December 2010, the University submitted an annual SF425 for the award year 2009-2010. The next SF425 deadline is December 2011. The final SF425 has not been filed for the 2009-2010 award year. NIFA has recently gone through reorganizations and changes in reporting formats. The University continues to work closely with NIFA to gain an understanding of their expectations for a revised waiver request and reporting requirements.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2011**

Reference Number	Summary of Finding	Status
10-1	CFDA Number 84.032 Federal Family Education Loans U.S. Department of Education Student Financial Aid Cluster Program Year 2009-2010	Unresolved. See Finding 11-1.

Out of a population of 376 student enrollment status changes requiring FFEL lender notification, a sample of 25 students status changes were selected for testing. Three student enrollment status changes were not communicated to FFEL lenders on a timely basis. Four student enrollment status change dates were communicated incorrectly to FFEL lenders.