Auditor's Reports and Financial Statements
June 30, 2013 and 2012

June 30, 2013 and 2012

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Curators Lincoln University Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Lincoln University and its discretely presented component unit, collectively a component unit of the State of Missouri, which are comprised of statements of net position as of June 30, 2013 and 2012, and statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We 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 \$6,950,202 and \$6,119,816 as of June 30, 2013 and 2012, respectively, and total revenues of \$1,590,509 and \$688,308, respectively, for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for Lincoln University Foundation, Inc., are based solely on the reports of the other auditors. The financial statements of Lincoln University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation





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and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, 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, 2013 and 2012, and the respective changes in its financial position and its cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by OMB 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The Auxiliary Activity Fund – Schedule of Revenues and Expenses 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of Lincoln 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* in considering the University's internal control over financial reporting and compliance.

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BKD, LLP

Springfield, Missouri October 28, 2013

Management's Discussion and Analysis Years Ended June 30, 2013 and 2012

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, 2013 and 2012, with selected comparative information for the year ended June 30, 2011. 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 62nd and 65th 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 teaching and guidance and counseling; Master of Business Administration (M.B.A.) with an emphasis in management, accounting, public administration/policy or management information systems; Master of Science (M.S.) in Environmental Science. The M.Ed. degree in school administration and the Specialist Degree in Educational Leadership will be placed on Inactive Status.

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 Position - 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 Position - 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 Position

A summarized comparison of the University's assets, liabilities and net position at June 30, 2013, 2012 and 2011, is as follows:

Net Position, End of Year

		2013		2012	2011		
			Millions)	ons)			
Assets							
Current assets	\$	16.7	\$	18.7	\$	15.2	
Capital assets, net		86.4		88.1		87.3	
Other noncurrent assets	_	5.8	_	5.8	_	5.9	
Total assets	\$	108.9	\$	112.6	\$_	108.4	
Liabilities							
Current liabilities	\$	4.7	\$	5.7	\$	5.8	
Noncurrent liabilities	_	26.0		26.9	_	26.2	
Total liabilities	\$	30.7	\$	32.6	\$_	32.0	
Net Position							
Net investment in capital assets	\$	62.4	\$	64.6	\$	63.0	
Restricted – nonexpendable		0.1		0.1		0.1	
Restricted – expendable		2.5		2.8		3.3	
Unrestricted		13.2		12.5	_	10.0	
Total net position	\$	78.2	\$	80.0	\$	76.4	

In fiscal year 2013, there was a decrease in total net position of \$1.8 million. This decrease resulted from a decrease in total assets of \$3.7 million and a decrease in total liabilities of \$1.9 million. The decrease in current assets is mainly due to a decline in grants receivable. This decline is due to reduced awards in USDA Cooperative Extension programs and a reduction in the funds received from new awards in other programs. In 2013, the University reduced the liability related to the 2005 and 2007 revenue bonds by approximately \$1.1 million. These changes in assets coupled with the reduction in liabilities resulted in the change in total net position.

During the 2012 fiscal year, total assets increased by \$4.2 million, total liabilities increased by \$0.6 million resulting in an increase in net position of \$3.6 million compared to fiscal year 2011. The increase in assets was a result of the receipt of loan funds from Missouri Department of Natural Resources for the steam decentralization project in the amount of \$1.7 million, an overall increase in cash and investments, as well as an increase of \$0.8 million in capital assets. The increase in capital assets is partially due to the purchase of land in fiscal year 2012.

At June 30, 2013, total University assets decreased from \$112.6 million in 2012 to \$108.9 million in 2013. The University's largest net position in 2013 and 2012 is its net investment in capital assets of \$62.4 and \$64.6 million, respectively.

In fiscal year 2013, the University's current assets of \$16.7 million were sufficient to cover current liabilities of \$4.7 million. The current ratio in 2013 increased to 3.6 compared to the current ratio in 2012 of 3.3.

The University's liabilities totaled \$30.7 million at June 30, 2013, and \$32.6 million at June 30, 2012. Noncurrent liabilities of \$26.0 million in 2013 and \$26.9 million in 2012 both consisted primarily of bonds payable. The change in liabilities in fiscal year 2013 was primarily a result of a reduction in outstanding liabilities to vendors and a reduction in the 2005 and 2007 revenue bond liability of \$1.1 million.

Statement of Revenues, Expenses and Changes in Net Position

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

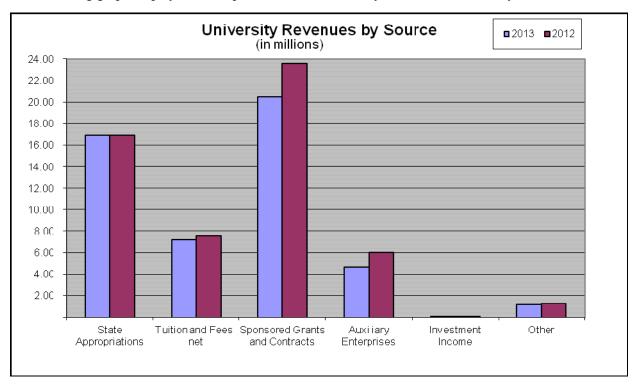
A summarized comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2013, 2012 and 2011, is as follows:

	2013		2012		2011
			(In N	lillions)	
Operating revenues	\$	12.1	\$	14.3	\$ 14.7
Operating expenses		51.5		53.4	 54.1
Operating loss		(39.4)		(39.1)	(39.4)
Net nonoperating revenues		37.2		39.8	 39.6
Income (loss) before other revenues, expenses, gains or losses		(2.2)		0.7	0.2
Capital grants and gifts		0.4		2.9	 0.7
Increase (decrease) in net position		(1.8)		3.6	0.9
Net position, beginning of year		80.0		76.4	 75.5
Net position, end of year	\$	78.2	\$	80.0	\$ 76.4

The total operating loss for fiscal year 2013 was \$39.4 million, the majority of which was offset by nonoperating revenues of \$37.2 million. The largest component of nonoperating revenues is federal grants and contracts followed by state appropriations. 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 2013 and 2012:



As shown above, the largest component of total revenues (operating and nonoperating) is grants and contracts followed by state appropriations. In fiscal year 2013, the University received virtually no increase in state appropriations compared to fiscal year 2012. In fiscal years 2012 and 2011, the University received reduced state appropriations resulting in an overall core reduction of \$2.2 million since fiscal year 2010. State appropriations now account for 34% of University revenues.

Student tuition and fees revenue of \$7.2 million is shown net of \$8.6 million and \$0.1 million in scholarship allowances and bad debt, respectively.

The following table represents the details of the University's grants and contracts revenue for the year ended June 30, 2013:

	2013
Federal sources	
Department of Agriculture	\$ 9,156,327
Department of Education (excluding financial aid)	2,918,020
Department of Defense	454,391
Department of International Development	73,861
Department of Health and Human Services	407,938
Environmental Protection Agency	166,367
National Science Foundation	320,192
Other Federal Sources	217,380
Total federal sources	13,714,476
Nonfederal sources	
State, local and private	728,122
Total nonfederal sources	728,122
Total all sources	\$ <u>14,442,598</u>

Operating Revenues

The following table summarizes the University's operating revenues by source for the years ended June 30, 2013, 2012 and 2011:

Operating Revenues

	2013		2	2012	2011
			(In N	Millions)	
Tuition and fees, net	\$	7.2	\$	7.5	\$ 6.9
Grants and contracts		0.6		1.2	2.6
Sales and services of educational activities		0.1		0.1	0.1
Auxiliary enterprises, net		3.9		5.2	4.7
Other		0.3		0.3	 0.4
Total operating revenues	\$	12.1	\$	14.3	\$ 14.7

Tuition and fees, net of allowances of \$8.6 million and bad debt of \$0.1 million, decreased in 2013 to \$7.2 million compared to \$7.5 in 2012. This net decrease in tuition and fees of \$0.3 million comes as a result of a decline in enrollment in 2013. Effective in fall 2012, the University increased in-state undergraduate tuition and fees by 3% while nonresident tuition and fees increased by approximately 6%.

In fiscal year 2012, tuition and fees, net of allowances of \$9.9 million and bad debt of \$0.1 million, increased to \$7.5 million compared to \$6.9 in 2011. This net increase in tuition and fees of \$0.6 million comes as a result of an increase in tuition and fee rates in 2012. Effective in fall 2011, the University increased tuition rates by 4.9%. The University ensures compliance with Missouri Senate Bill 389 in establishing tuition and fee rates.

Operating grants and contracts decreased by \$0.6 million in 2013 compared to 2012. This decline is a result of a decrease in external grant funding from the U.S. Department of Defense.

Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2013, 2012 and 2011:

Operating Expenses

	2013		2012			2011	
	(In Millio						
Compensation and benefits	\$	32.9	\$	34.0	\$	34.4	
Contractual services		5.6		6.1		6.5	
Supplies and materials		1.9		2.3		2.2	
Depreciation and amortization		6.0		5.9		5.9	
Utilities/communications		1.8		1.7		1.8	
Scholarships and fellowships		0.4		0.4		0.4	
Other		2.9		3.0		2.9	
	\$	51.5	\$	53.4	\$	54.1	

Operating expenses in 2013 decreased to \$51.5 million from \$53.4 million in 2012. The largest component of operating expenses is compensation and benefits which was reduced by \$1.1 million from 2012 despite a 2% cost of living increase for employees. Excluding depreciation and utilities, all operating expenses were reduced by \$2.1 million in total in 2013. The dip in enrollment in 2013 impacted available funds for other operating expenses. However, the University was able to reduce expenses in most areas in order to mitigate the reduction.

During fiscal year 2012, operating expenses were \$53.4 million, a decrease of \$0.7 million compared to 2011. With significant reductions in state appropriations in fiscal years 2011 and 2012, the University was forced to reduce the general operating budget, thereby reducing annual expenses in 2012. The principal operating expense remains compensation and benefits. While no cost of living increases were received by employees in 2012, benefits such as retirement and health insurance remain a huge factor for increased costs each year. Despite these increased benefit costs, compensation and benefits decreased by \$0.4 million. Another factor affecting the overall decrease in operating expenses is contractual services, with a decrease of \$0.4 million. All other categories predominantly remained steady.

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, 2013, 2012 and 2011, is as follows:

Expenses by Functional Category

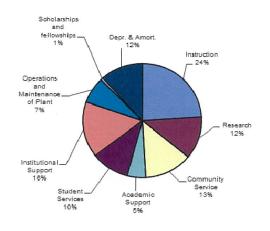
	2013		2012		2011		
	(In Millions)						
Instruction	\$ 12.3	\$	12.4	\$	12.8		
Research	6.2		6.7		7.5		
Community service	6.8		7.3		6.9		
Academic support	2.6		2.9		2.8		
Student services	5.3		5.4		5.3		
Institutional support	8.1		8.8		8.9		
Operations and maintenance of plant	3.8		3.6		3.6		
Scholarships and fellowships	0.4		0.4		0.4		
Depreciation and amortization	 6.0		5.9		5.9		
	\$ 51.5	\$	53.4	\$	54.1		

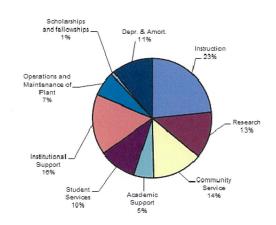
The University's total operating expenses directly support the primary mission of the University: Instruction, Research and Community Service. In 2013, the total of these three categories was \$25.3 million or 49.1% of the total expenses compared to \$26.4 million or 49.4% of total expenses in 2012.

The following graphic illustrations present total expenses by function:

2013 Functional Expenses

2012 Functional Expenses





Nonoperating Revenues and Expenses

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2013, 2012 and 2011:

Nonoperating Revenues and Expenses

		2013		2012		2011
			(In N	Millions)		
State appropriations	\$	17.0	\$	17.0	\$	18.2
Federal grants and contracts		19.5		22.0		19.7
State grants and contracts		0.3		0.4		0.5
Interest on indebtedness		(1.3)		(1.3)		(1.3)
Investment income		0.1		0.1		0.1
Other	-	1.6	-	1.6	-	2.4
Total nonoperating revenues and						
expenses	\$	37.2	\$	39.8	\$_	39.6

Federal grants and contracts is the largest component of the University's nonoperating revenues followed by state appropriations. State appropriations remained steady in 2013 compared to 2012. This follows a reduction of \$1.2 million, equivalent to a 6.7% cut in base appropriations in 2012 and a 5.2% cut in base funding in 2011, resulting in a net reduction of \$2.2 million over those two years.

The federal grants and contracts decreased by \$2.5 million in 2013, largely attributable to a decrease in awards for USDA Cooperative Extension programs and a reduction in the funds received from new awards in other programs.

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, 2013, 2012 and 2011:

Cash Flows

	2013		2012			2011	
			(In	Millions)			
Cash Provided by (Used in)							
Operating activities	\$	(34.2)	\$	(31.3)	\$	(34.0)	
Noncapital financing activities		38.7		41.2		38.7	
Capital and related financing activities		(4.7)		(4.2)		(4.3)	
Investing activities		(0.7)		(2.6)	_	(0.7)	
Net Increase (Decrease) in Cash and Cash Equivalents		(0.9)		3.1		(0.3)	
Cash and Cash Equivalents, Beginning of the Year		5.3		2.2		2.5	
Cash and Cash Equivalents, End of the Year	\$	4.4	\$	5.3	\$	2.2	

In fiscal year 2013, cash and cash equivalents decreased by \$0.9 million compared to 2012. Approximately \$34.2 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 2013, cash used for operating activities increased by \$2.9 million compared to 2012. The change in operating activities relates to the overall increase in cash used for expenses, the decrease in cash provided by tuition and fees and auxiliary enterprise activities. The decrease in cash provided by operating grants is primarily due to the reduction in awards from U.S. Department of Defense.

The net cash provided by noncapital financing activities decreased in 2013 by \$2.5 million. The change in noncapital financing activities was affected by the decrease in federal and state grant and contract revenue.

Cash used for capital and related financing activities in 2013 was \$4.7 million, an increase of \$0.5 million compared to 2012. The change was due to a decrease in cash from capital grants, offset by the decrease in cash used for purchases of capital assets.

Cash used for investing activities in fiscal year 2013 was \$0.7 million compared to \$2.6 million in 2012. This is an overall change of \$1.9 million. By comparison, the University purchased \$1.0 million less in investments, while the sales of investments increased by \$0.8 million. The University employs an investment strategy to maximize investment opportunities. However, interest rates continue to be 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 2012 was an overall decrease in cash used of \$2.7 million. The change in operating activities relates to the overall decrease in cash used for expenses, the increase in cash provided by tuition and fees and auxiliary enterprise activities and the decrease in cash provided by operating grants.

There was an increase in cash received from noncapital financing activities in 2012 of \$2.5 million. The change in noncapital financing activities was affected by the increase in federal and state grant and contract revenue of \$3.7 million offset by the reduction in state appropriations of 6.7% or \$1.2 million.

The net decrease in cash used for capital and related financing activities in 2012 compared to 2011 was \$0.1 million. The change was due to an increase in cash from capital grants funded by the U.S. Department of Agriculture facility grant, the proceeds related to the Missouri Department of Natural Resources steam decentralization loan, offset by the increase in cash used for purchases of capital assets.

Cash used for investing activities in fiscal year 2012 was \$2.6 million compared to the cash used by investing activities of \$0.7 million in 2011. This is an overall change of \$1.9 million. The investment activity shows the University had purchased investments of \$13.1 million and had maturities of \$10.4 million in 2012, compared to \$14.0 million purchases and \$13.3 million in maturities in 2011.

Capital Assets

At June 30, 2013, the University had approximately \$86.4 million invested in capital assets, net of accumulated depreciation of approximately \$84.7 million. At June 30, 2012, the University had approximately \$88.1 million invested in capital assets, net of accumulated depreciation of approximately \$79.0 million.

Depreciation charges for the current year totaled approximately \$6.0 million. The following table summarizes the University's capital assets, net of accumulated depreciation, as of June 30, 2013, 2012 and 2011.

Capital Assets, Net

		2013	2012			2011
	(In Millions)					
Land and land improvements	\$	7.0	\$	7.2	\$	5.7
Buildings		71.5		71.3		71.7
Furniture, fixtures and equipment		5.7		6.3		6.2
Infrastructure		1.0		1.3		1.6
Library materials		0.1		0.1		0.1
Construction in progress		1.1		1.9	_	2.0
Total capital assets, net	\$	86.4	\$	88.1	\$	87.3

Major construction projects that began in FY2012 and/or FY2013 and were completed in FY2013 include the replacement of Page Library roof \$(218,892), replacement of Perry Hall roof \$(127,350), replacement of Hoard Hall and Yates Hall roofs \$(82,806), new aquaculture facility construction \$(1,267,099), Martin Luther King Hall roof replacement and cooling tower replacement as well as the waterproofing, tuckpointing and new ADA ramp construction to the Art Gallery at Richardson Fine Arts Center \$(1,056,982), replacement chillers for Martin Luther King Hall \$(92,000), Page Library Café and Study Lounge renovation \$(117,879), Dawson Drive and Taylor Drive improvements \$(85,216), Carver Farm Sheep Facility roof replacement \$(69,369), and the St. Louis Extension Office restroom renovation and other repairs \$(164,763). These projects were funded by Title III funds, 1890 Facilities grant funds and local funds.

Projects that began in FY2013 and will be complete in FY2014 include the Steam Plant Decentralization Project \$(1,348,780), Allen Hall and Foster Hall chiller replacements \$(138,900), Small Animal Research Facility chiller replacement \$(48,150), Schweich Hall roof replacement \$(266,697) and Shipping and Receiving roof replacement \$(117,344). These projects are funded by the Department of Natural Resources energy efficiency loan, a Kemper Foundation grant, the 1890 Facilities grant funds and local funds.

Bonds and Capital Leases

As of June 30, 2013, the University had approximately \$24.9 million in outstanding revenue bonds compared to \$26.0 million in 2012, a decrease of \$1.1 million.

Bonds and Capital Lease Debt

	2013	3	2012		2011		
	(In Millions)						
Revenue bonds	\$	24.9	\$	26.0	\$	27.0	

Student Enrollment

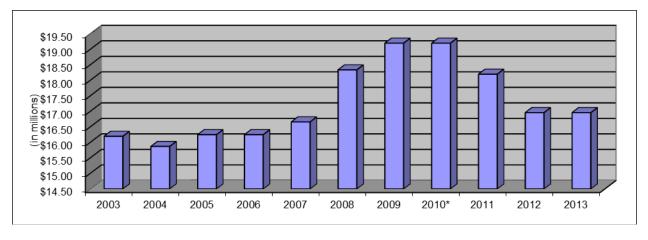
Following are highlights of student demographics for the fall 2012, 2011 and 2010 semesters of fiscal years 2013, 2012 and 2011, respectively.

	2013	2012	2011
Undergraduate	3,013	3,192	3,159
Graduate	192	196	<u>190</u>
Total students	3,205	3,388	3,349
Full-time	1,996	2,289	2,204
Part-time Part-time	1,209	1,099	1,145
Male	1,328	1,371	1,313
Female	1,877	2,017	2,036
Credit hours generated	33,741	37,120	36,790
Student full-time equivalent	2,271	2,498	2,471
Resident	652	851	817
Commuter	2,553	<u>2,537</u>	2,532
Total students	3,205	3,388	3,349
In-state	2,793	2,894	2,859
Out-state	345	427	402
International	67	<u>67</u>	88
Total students	<u>3,205</u>	<u>3,388</u>	3,349

	2013	2012	2011
Total number of degrees awarded	463	434	451
Number of students in dual – credit courses	523	421	416
Associate degree program	9	9	10
Undergraduate degree programs	47	47	50
Graduate degree programs	11	11	12
Total degree programs	<u>67</u>	<u>67</u>	<u>72</u>

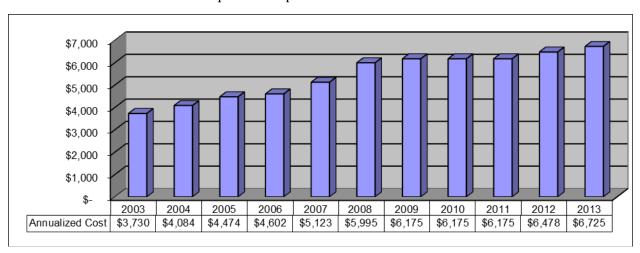
In reviewing University enrollment trends, the chart above shows a decrease in total enrollment between fall 2011 and fall 2012; however, the number of degrees awarded in 2013 increased by 6.7%. The number of students enrolled in dual credit courses rose by 24.2%.

TrendsState Appropriations by Fiscal Year

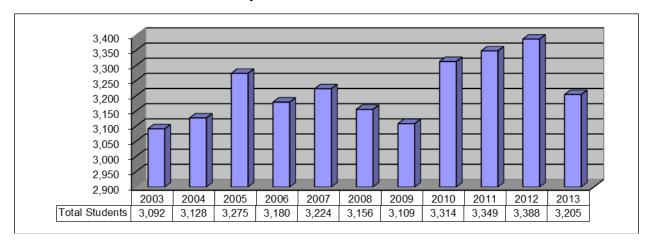


^{*}Excludes the one-time state appropriations for the Caring for Missourian program.

Full-Time Resident Tuition and Required Fees per Year



Student Enrollment for Fall Semesters by Fiscal Year



Fiscal Year 2014 Outlook

General Fund Operating Budget

The Lincoln University Board of Curators approved a \$34.0 million general fund operating budget for fiscal year 2014. State appropriations are the largest component of the 2014 budget. State appropriations make up 50% of anticipated university revenues compared to tuition and fees at 47%. The 2014 state appropriation of \$17.1 million represents an increase in core appropriations of \$0.3 million. This increase in appropriations relates to new funding awarded to the institution based on performance outcomes.

Capital Projects

Upcoming projects identified for design and or construction during FY2014 include the Old Teaching Greenhouse renovations, Chestnut Street bridge/stair repairs, ADA bridge into Martin Luther King Hall, ADA ramp in Founders Hall, addition onto Dickinson Research Center and various upgrades to the Integrated Farming Systems Institute at Busby Farm. Projects will be funded by Title III, 1890 Facilities grant funds and local funds.

Technological Advancements

On June 26, 2013, the Lincoln University Board of Curators approved the recommendation to enter into a contract with Ellucian Company, LP, to license the Recruiter software. Recruiter will allow the University to create a seamless online application and recruitment process. The project is funded by general funds and Title III dollars.

On August 13, 2013, the Lincoln University Board of Curators approved a contract with Xerox for Managed Print Services. Managed Print Services is a cost effective system for the purchase, location, maintenance, and support of printers, copiers, printing consumables and printing services across the University.

Other Significant Factors

On August 20, 2013, the University was notified by the Higher Learning Commission of the North Central Association of its continued accreditation. The next comprehensive evaluation will take place during the 2015-16 academic year. A second comprehensive evaluation with Reaffirmation of

Accreditation is set for 2022-23. These evaluations reflect the institution's transition to the Commission's new accrediting process, Pathways. The University will be required to provide the Commission with three monitoring reports during 2014: 1) a report on graduate education; 2) a report on communication; and 3) a report on planning and use of data.

The music program of Lincoln University has received full accreditation by the National Association of Schools of Music (NASM).

The Department of Business received notice of full reaffirmation of accreditation from the Accreditation Council for Business Schools and Programs (ACBSP) in May of 2013. A follow up report is due in February of 2017. The reaffirmation of accreditation is a ten-year approval of the business programs.

The National Council for the Accreditation of Teacher Education (NCATE) will visit the campus November 3-5, 2013, along with a representative from the Missouri Department of Elementary and Secondary Education (DESE) to review teacher education programs for reaccreditation. The departmental self-study was submitted to NCATE in March 2013. NCATE reaccreditation occurs every five years.

On June 1, 2013, Dr. Kevin D. Rome assumed the role as 19th President of Lincoln University. Dr. Rome's career has been concentrated in higher education including strategic planning, fundraising, facilities oversight, human resources and diversity with a special emphasis on student affairs. Most recently serving as Vice Chancellor for Student Affairs and Enrollment Management at North Carolina Central University, Dr. Rome has also served as Vice President for Student Services at Morehouse College, Vice President of Campus Life at Clayton College and State University and Assistant Vice Chancellor at Indiana University-Purdue University. Dr. Rome earned the Bachelor of Art degree in English from Morehouse College. He received the Master of Education in College Student Personnel with an emphasis in counseling from the University of Georgia and the Ph.D. in higher education administration from the University of Texas at Austin.

Statements of Net Position June 30, 2013 and 2012

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 4,365,093	\$ 5,172,799
Short-term investments	9,209,388	8,601,850
Accounts receivable, net of allowance; 2013 – \$266,960,		
2012 - \$296,384	628,363	698,534
Federal and state grants receivable	2,462,045	4,180,470
Prepaid expenses	4,673	23,15
Other	9,206	8,87
Total current assets	16,678,768	18,685,679
Noncurrent Assets	21.702	141.67
Restricted cash equivalents	31,783	141,672
Restricted investments	2,280,437	2,275,13
Long-term investments	1,116,000	882,48
Short-term endowment investments	602,288	287,60
Long-term endowment investments	916,895	1,210,83
Bond issue costs	933,635	987,52
Capital assets, net	86,368,848	88,137,84
Total noncurrent assets	92,249,886	93,923,10

Liabilities

1,640,179 741,612 64,143 1,052,005 1,216,333 4,714,272 130,863 684,565 46,852 25,160,345	\$ 2,718,359 775,106 71,937 1,086,108 1,050,000 5,701,510 119,613 660,275 44,471 26,150,486
741,612 64,143 1,052,005 1,216,333 4,714,272 130,863 684,565 46,852	775,106 71,937 1,086,108 1,050,000 5,701,510 119,613 660,275 44,471
741,612 64,143 1,052,005 1,216,333 4,714,272 130,863 684,565 46,852	775,106 71,937 1,086,108 1,050,000 5,701,510 119,613 660,275 44,471
64,143 1,052,005 1,216,333 4,714,272 130,863 684,565 46,852	71,937 1,086,108 1,050,000 5,701,510 119,613 660,275 44,471
1,216,333 4,714,272 130,863 684,565 46,852	1,086,108 1,050,000 5,701,510 119,613 660,275 44,471
1,216,333 4,714,272 130,863 684,565 46,852	1,050,000 5,701,510 119,613 660,275 44,471
130,863 684,565 46,852	119,613 660,275 44,471
684,565 46,852	660,275 44,471
684,565 46,852	660,275 44,471
46,852	44,471
	,
25,160,345	26,150,486
26,022,625	26,974,845
30,736,897	32,676,355
62,427,936	64,551,361
56,352	56,352
135,873	234,134
18,527	121,341
1,302,580	1,295,619
1,016,004	1,166,892
13,234,485	12,506,732
	\$ 79,932,431
	56,352 135,873 18,527 1,302,580 1,016,004

Lincoln University Foundation, Inc. Statements of Financial Position June 30, 2013 and 2012

Assets

	2013	2012		
Cash and cash equivalents Contributions receivable Accrued investment income Investments	\$ 501,277 23,392 2,718 6,414,996	\$ 459,921 63,410 2,644 5,583,503		
Cash surrender value of life insurance	7,819	10,338		
Total assets	\$ 6,950,202	\$ 6,119,816		
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 6,604	\$ 10,380		
Total liabilities	6,604	10,380		
Net Assets				
Unrestricted	128,087	132,463		
Temporarily restricted	3,351,691	2,644,673		
Permanently restricted	3,463,820	3,332,300		
Total net assets	6,943,598	6,109,436		
Total liabilities and net assets	\$ 6,950,202	\$ 6,119,816		

Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$8,633,539 –		
2013 and \$9,894,893 - 2012 and bad debt expense of \$122,761 -		
2013 and \$100,711 – 2012)	\$ 7,212,198	\$ 7,535,495
Federal grants and contracts	539,251	1,140,399
State grants and contracts	25,560	26,520
Sales and services of educational activities	47,997	43,061
Auxiliary enterprises (net of scholarship allowances of \$129,825 –		
2013 and \$141,953 – 2012 and bad debt expense of \$30,192 –		
2013 and \$25,178 – 2012)	3,899,027	5,172,486
Other	326,401	344,668
Total operating revenues	12,050,434	14,262,629
Operating Expenses		
Compensation and benefits	32,853,160	33,988,757
Contractual services	5,607,699	6,049,585
Travel	1,465,335	1,331,268
Supplies and materials	1,872,635	2,336,278
Scholarships and fellowships	373,136	441,516
Depreciation and amortization	5,952,373	5,929,963
Communications	141,638	126,264
Utilities	1,665,672	1,595,013
Other	1,539,287	1,636,282
Total operating expenses	51,470,935	53,434,926
Operating Loss	(39,420,501)	(39,172,297)
Nonoperating Revenues (Expenses)		
State appropriations	16,963,685	16,962,048
Federal grants and contracts	19,548,599	21,976,681
Recovery of administrative costs	10,712	11,139
State and local grants and contracts	349,101	441,894
Contributions	30	108,930
Student fees for capital projects	752,490	827,858
Gain (loss) on disposal of capital assets	(2,781)	(86,523)
Investment income	109,876	62,520
Interest on capital asset-related debt	(1,257,150)	(1,298,501)
Other nonoperating revenues	808,455	825,265
Net nonoperating revenues	37,283,017	39,831,311

Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2013 and 2012

	2013	2012		
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ (2,137,484)	\$ 659,014		
Capital Grants and Gifts	396,810	2,893,928		
Increase (Decrease) in Net Position	(1,740,674)	3,552,942		
Net Position, Beginning of Year	79,932,431	76,379,489		
Net Position, End of Year	\$ 78,191,757	\$ 79,932,431		

Lincoln University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2013 and 2012

	2013 Temporarily Permanently						
	Uni	restricted	R	estricted	R	Restricted	Total
Revenues and Other Support							
Contributions	\$	132,211	\$	327,609	\$	92,075	\$ 551,895
Special events		105,345		17,490		-	122,835
Investment return		8,526		760,204		42,677	811,407
Other revenue		344		104,028			 104,372
Total revenues		246,426		1,209,331		134,752	1,590,509
Net assets released from restrictions		505,545		(502,313)		(3,232)	
Total revenues and other support		751,971		707,018		131,520	1,590,509
Expenses							
Program services							
Scholarships		178,717		-		-	178,717
Direct payments		324,998					 324,998
Total program expenses		503,715					 503,715
Support services							
Management and general		124,843		-		-	124,843
Fundraising		127,789		-		-	 127,789
Total support services		252,632					 252,632
Total expenses		756,347					756,347
Change in net assets		(4,376)		707,018		131,520	834,162
Net Assets, Beginning of Year		132,463		2,644,673		3,332,300	 6,109,436
Net Assets, End of Year	\$	128,087	\$	3,351,691	\$	3,463,820	\$ 6,943,598

	2012						
	Temporarily Permanently		•		_		
Uni	restricted	Restricted		R	estricted		Total
\$	264,677	\$	177,664	\$	98,800	\$	541,141
Ψ	94,047	4	18,391	Ψ	-	4	112,438
	(41,612)		(69,873)		12,198		(99,287)
	3,608		130,408		12,170		134,016
	3,000		130,400				134,010
	320,720		256,590		110,998		688,308
	590,062		(548,862)		(41,200)		
	910,782		(292,272)		69,798		688,308
	193,445		-		-		193,445
	300,812						300,812
	494,257						494,257
	76,473		-		-		76,473
	148,153						148,153
	224,626						224,626
	718,883		<u>-</u>		<u>-</u>		718,883
	191,899		(292,272)		69,798		(30,575)
	(59,436)		2,936,945		3,262,502		6,140,011
\$	132,463	\$	2,644,673	\$	3,332,300	\$	6,109,436

Statements of Cash Flows Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Tuition and fees	\$ 7,254,460	\$ 7,712,418
Grants and contracts	564,811	1,166,919
Payments to suppliers	(13,414,884)	(11,871,694)
Payments to employees	(32,883,418)	(33,937,501)
Sales and services of auxiliary enterprises	3,913,062	5,166,952
Sales and services of educational activities	47,997	43,061
Other receipts and deposits	337,520	362,495
Net cash used in operating activities	(34,180,452)	(31,357,350)
Noncapital Financing Activities		
State appropriations	16,963,685	16,962,048
Gifts and grants for other than capital purposes	20,924,461	23,451,289
Other receipts	819,167	836,402
Net cash provided by noncapital financing activities	38,707,313	41,249,739
Capital and Related Financing Activities		
Capital grants and gifts	990,863	2,744,455
Student fees for capital projects	752,490	827,858
Purchase of capital assets	(4,346,054)	(7,173,321)
Principal paid on capital debt	(1,050,000)	(1,015,000)
Interest paid on capital debt	(1,217,121)	(1,258,336)
Proceeds from loan payable	182,592	1,680,408
Net cash used in capital and related		
financing activities	(4,687,230)	(4,193,936)
Investing Activities		
Investment income	109,876	62,520
Proceeds from sales and maturities of investments	11,239,217	10,397,861
Purchases of investments	(12,106,319)	(13,086,009)
Net cash used in investing activities	(757,226)	(2,625,628)
Increase (Decrease) in Cash and Cash Equivalents	(917,595)	3,072,825
Cash and Cash Equivalents, Beginning of Year	5,314,471	2,241,646
Cash and Cash Equivalents, End of Year	\$ 4,396,876	\$ 5,314,471

Statements of Cash Flows Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 4,365,093	\$ 5,172,799
Restricted cash and cash equivalents	31,783	141,672
Total cash and cash equivalents	\$ 4,396,876	\$ 5,314,471
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (39,420,501)	\$ (39,172,297)
Depreciation and amortization	5,952,373	5,929,963
Changes in operating assets and liabilities		
Receivables, net	167,688	368,677
Prepaid expenses, deferred bond issue costs		
and other assets	18,275	1,173,081
Accounts payable and accrued liabilities	(900,332)	287,410
Accrued compensated absences	(9,205)	38,071
Deposits held in custody for others	11,250	17,745
Net Cash Used in Operating Activities	\$ (34,180,452)	\$ (31,357,350)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 149,776	\$ 363,571

Notes to Financial Statements June 30, 2013 and 2012

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 position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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 position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2013 and 2012, cash equivalents consisted primarily of money market funds, repurchase agreements and certificates of deposit.

Notes to Financial Statements June 30, 2013 and 2012

Investments and Investment Income

Investments in U.S. Treasury, U.S. agency and government-sponsored enterprises obligations and money market 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.

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 \$53,895 for the years ended June 30, 2013 and 2012.

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, 2013 and 2012.

Notes to Financial Statements June 30, 2013 and 2012

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 position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Unearned Revenue

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

Net Position

Net position of the University is classified in four components. Net investment in capital assets 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 position is made up of 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 position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

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.

Notes to Financial Statements June 30, 2013 and 2012

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.

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 position. 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 is 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, 2013 and 2012, the Foundation distributed \$211,829 and \$0 to the University for both restricted and unrestricted purposes, respectively. During 2013 and 2012, the University transferred \$10,000 and \$35,500, 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.

Notes to Financial Statements June 30, 2013 and 2012

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 Foundation's financial information in the University's financial reporting entity for these differences.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial presentation. These reclassifications had no effect on the change in net position.

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 or 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.

At June 30, 2013 and 2012, respectively, the University's bank balances were \$906,336 and \$89,186. None of these deposits were exposed to custodial credit risk at June 30, 2013 and 2012.

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 and in bank repurchase agreements.

Notes to Financial Statements June 30, 2013 and 2012

At June 30, 2013 and 2012, the University had the following investments and maturities:

June 30, 2013

			Maturities	in Years	
Туре	Fair Value	Less than 1	1-5	6-10	More than 10
Repurchase agreements	\$ 3,451,637	\$ 3,451,637	\$ -	\$ -	\$ -
Certificates of deposit	8,297,895	6,265,000	2,032,895	-	-
Money market treasury funds	31,782	31,782	-	-	
Government-sponsored					
enterprises obligations	5,827,114	3,546,677	2,280,437		
	\$ 17,608,428	\$ 13,295,096	\$ 4,313,332	\$ -	\$ -

June 30, 2012

Туре	Maturities in Years				
	Fair Value	Less than 1	1-5	6-10	More than 10
Repurchase agreements	\$ 5,077,411	\$ 5,077,411	\$ -	\$ -	\$ -
Certificates of deposit	7,456,000	5,953,712	1,398,800	103,488	-
Money market treasury funds	141,672	141,672	-	-	-
Government-sponsored					
enterprises obligations	5,801,907	2,935,745	2,830,054	36,108	
	\$18,476,990	\$ 14,108,540	\$ 4,228,854	\$ 139,596	\$ -

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, 2013 and 2012, the University's investments in government-sponsored enterprises obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor's and Aaa by Moody's Investor Service.

Notes to Financial Statements June 30, 2013 and 2012

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, 2013 and 2012, 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. At June 30, 2013 and 2012, the University's investments in government-sponsored enterprises obligations of the follow entities constituted the following percentages of total investments:

	2013	2012	
		_	
Federal National Mortgage Association (FNMA)	3%	6%	
Federal Home Loan Mortgage Corporation (FHLMC)	20%	17%	
Federal Home Loan Bank (FHLB)	10%	8%	

Summary of Carrying Values

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

	2013	2012	
Carrying value			
Deposits	\$ 913,456	\$ 95,388	
Investments	17,608,428_	18,476,990	
	\$ 18,521,884	\$ 18,572,378	
	\$ 10,321,00 4	\$ 10,572,576	

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

	2013	2012	
Cash and cash equivalents	\$ 4,365,093	\$ 5,172,799	
Short-term investments	9,209,388	8,601,850	
Restricted cash equivalents	31,783	141,672	
Restricted investments	2,280,437	2,275,137	
Long-term investments	1,116,000	882,480	
Short-term endowment investments	602,288	287,607	
Long-term endowment investments	916,895	1,210,833	
	\$ 18,521,884	\$ 18,572,378	

Notes to Financial Statements June 30, 2013 and 2012

Investment Income

Investment income for the years ended June 30, 2013 and 2012, consisted of:

	2013			2012	
Interest and dividend income Net realized and unrealized losses on investments	\$	\$ 104,167 5,709		137,365 (74,845)	
	\$	109,876	\$	62,520	

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 no more than 50% of the total aggregate endowment fund income related to the grant award. During the years ended June 30, 2013 and 2012, no amounts were transferred out of the endowment fund to the operating fund.

Notes to Financial Statements June 30, 2013 and 2012

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012, were:

			2013		
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 3,204,616	\$ 25,626	\$ -	\$ -	\$ 3,230,242
Land improvements	5,668,563	24,461	<u>-</u>	-	5,693,024
Buildings and improvements	123,777,502	2,028,461	_	1,879,556	127,685,519
Infrastructure	4,140,518	2,020,101	_	-	4,140,518
Furniture, fixtures and	1,110,510				1,110,510
equipment	26,114,548	969,624	231,119	66,521	26,919,574
Library materials	2,276,443	5,884		-	2,282,327
Construction in progress	1,949,960	1,078,202	_	(1,946,077)	1,082,085
					, ,
	167,132,150	4,132,258	231,119	-	171,033,289
Less accumulated depreciation					
Land improvements	1,642,889	267,524	-	-	1,910,413
Buildings and improvements	52,486,329	3,682,103	-	-	56,168,432
Infrastructure	2,834,962	253,126	-	-	3,088,088
Furniture, fixtures and					
equipment	19,805,800	1,676,022	228,338	-	21,253,484
Library materials	2,224,321	19,703	-	-	2,244,024
	78,994,301	5,898,478	228,338		84,664,441
Net capital assets	\$ 88,137,849	\$ (1,766,220)	\$ 2,781	\$ -	\$ 86,368,848

Notes to Financial Statements June 30, 2013 and 2012

	Dii		2012		For the se	
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	
T 1	¢ 2.100.242	¢ 1.015.274	¢	Φ	Ф 2.204.616	
Land	\$ 2,189,342	\$ 1,015,274	\$ -	\$ -	\$ 3,204,616	
Land improvements	4,866,293	222,268	-	580,002	5,668,563	
Buildings and improvements	120,651,340	1,873,316	-	1,252,846	123,777,502	
Infrastructure	4,140,518	-	-	-	4,140,518	
Furniture, fixtures and						
equipment	24,808,356	1,886,718	581,268	742	26,114,548	
Library materials	2,264,043	12,400	_	-	2,276,443	
Construction in progress	2,031,800	1,813,374	61,624	(1,833,590)	1,949,960	
, ,						
	160,951,692	6,823,350	642,892	-	167,132,150	
Less accumulated depreciation						
Land improvements	1,410,564	232,325	-	-	1,642,889	
Buildings and improvements	48,908,651	3,577,678	_	-	52,486,329	
Infrastructure	2,581,836	253,126	_	-	2,834,962	
Furniture, fixtures and						
equipment	18,575,479	1,792,689	562,368	-	19,805,800	
Library materials	2,204,070	20,251	-	-	2,224,321	
	73,680,600	5,876,069	562,368		78,994,301	
Net capital assets	\$ 87,271,092	\$ 947,281	\$ 80,524	\$ -	\$ 88,137,849	

Notes to Financial Statements June 30, 2013 and 2012

Note 5: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2013 and 2012:

			2013		
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2005	\$ 6,445,000	\$ -	\$ 625,000	\$ 5,820,000	\$ 675,000
Series 2007	19,455,000	-	425,000	19,030,000	445,000
Loan payable - DNR					
Energize MO	1,680,408	182,592	-	1,863,000	96,333
Loss on refunding	(469,653)	-	(50,773)	(418,880)	-
Reoffering premium	89,731		7,173	82,558	
Total long-term debt	27,200,486	182,592	1,006,400	26,376,678	1,216,333
Other noncurrent liabilities					
Accrued compensated absences	1,435,381	737,258	746,462	1,426,177	741,612
Deposits held in custody for	-, ,	,	,	-,,	,
others	119,613	60,983	49,733	130,863	-
Postemployment benefit	,	,	,	,	
obligation	116,408	58,730	64,143	110,995	64,143
-					
Total other noncurrent					
liabilities	1,671,402	856,971	860,338	1,668,035	805,755
Total noncurrent liabilities	\$28,871,888	\$ 1,039,563	\$ 1,866,738	\$28,044,713	\$ 2,022,088

Notes to Financial Statements June 30, 2013 and 2012

			2012		
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2005	\$ 7,050,000	\$ -	\$ 605,000	\$ 6,445,000	\$ 625,000
Series 2007	19,865,000	-	410,000	19,455,000	425,000
Loan Payable - DNR					
Energize MO	-	1,680,408	-	1,680,408	-
Loss on refunding	(520,426)	-	(50,773)	(469,653)	-
Reoffering premium	96,905	-	7,174	89,731	-
Total long-term debt	26,491,479	1,680,408	971,401	27,200,486	1,050,000
Other noncurrent liabilities					
Accrued compensated absences	1,397,309	804,855	766,783	1,435,381	775,106
Deposits held in custody for					
others	101,868	90,325	72,580	119,613	-
Postemployment benefit					
obligation	129,799	58,546	71,937	116,408	71,937
Total other noncurrent					
liabilities	1,628,976	953,726	911,300	1,671,402	847,043
Total noncurrent liabilities	\$28,120,455	\$ 2,634,134	\$ 1,882,701	\$28,871,888	\$ 1,897,043

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, equipping and furnishing of additions and renovations to the Auxiliary System (including a new 224-

Notes to Financial Statements June 30, 2013 and 2012

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.

The debt service requirements as of June 30, 2013, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	2,216,899	1,180,000	1,036,899
2018	2,187,679	1,200,000	987,679
2019 - 2023	9,667,246	5,540,000	4,127,246
2024 - 2028	6,918,656	3,815,000	3,103,656
2029 - 2033	6,925,525	4,895,000	2,030,525
2034 - 2037	5,531,906	4,890,000	641,906
	\$ 40,163,320	\$ 24,850,000	\$ 15,313,320

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, 2013 and 2012, \$5,650,000 and \$6,180,000, respectively, of bonds outstanding were considered defeased.

Loan Payable

The University has a loan payable with the Missouri Department of Natural Resources (MDNR), dated June 14, 2012, in the maximum amount of \$1,863,000 which shall include principal and estimated interest costs at an annual interest rate at 2%. The proceeds of the loan shall be used to implement the Energy Conservation Measures as designated by the MDNR and payments begin when the project is deemed completed which shall be no later than 18 months after the execution date of the loan. The loan requires semiannual payments equal to one-half of the annual energy savings until paid in full. At June 30, 2013, the semiannual principal and interest payments are estimated at \$102,560 and scheduled to begin February 2014.

Notes to Financial Statements June 30, 2013 and 2012

The debt service requirements of the loan as of June 30, 2013, are as follows:

Year Ending June 30,	Total to be Paid		Principal		lı	nterest
2014	\$	102,560	\$	96,333	\$	6,227
2015		205,120		170,635		34,485
2016		205,120		174,066		31,054
2017		205,120		177,562		27,558
2018		205,120		181,133		23,987
2019 - 2023		1,128,121		1,063,271		64,850
	\$	2,051,161	\$	1,863,000	\$	188,161

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 14.45% and 13.97% of annual covered payroll for 2013 and 2012, respectively. The University's contributions to the plan for the years ended June 30, 2013, 2012 and 2011, were \$2,525,728, \$2,556,408 and \$2,606,452, respectively, which equaled the required contributions for each year. The MOSERS funded status ratio was 73.2% and 79.2% as of June 30, 2012 and 2011, respectively.

Notes to Financial Statements June 30, 2013 and 2012

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 6.80% and 6.92% of annual covered payroll for 2013 and 2012, respectively. The University's contributions to the plan for the years ended June 30, 2013, 2012 and 2011, were \$274,402, \$275,816 and \$284,236, respectively, which equaled the required contributions for each year.

Note 7: Postemployment Health Care Plan

Plan Description

In addition to the pension benefits described in *Note* 6, the University provides health care benefits, through a commercial insurance carrier, to its retirees and their dependents. The Lincoln University Board of Curators, which is appointed by the Governor with the approval of the State Legislature, has the authority to establish and amend benefit provisions of the plan.

The plan is operated as a fully insured arrangement. For retiree plan participants that have obtained professor emeritus status, the University contributes set amounts (annually adjusted for inflation) for health insurance and drug coverage. To be eligible for professor emeritus status an employee must hold professional rank and have served the University for at least 20 years. Retiree plan participants that have not obtained professor emeritus status are required to contribute the entire amount of the monthly premium to the plan. The University charges pre-65 retirees, that do not have professor emeritus status, a higher premium than active employees to more closely reflect market value. The factor applied to the premium rates for pre-65 retirees is based on the State of Missouri Health System's pre-65 retiree group rate relative to its active employee rate. Medicare eligible retirees without professor emeritus status are referred for enrollment in Medicare supplement insurance independent of the University's plan.

Notes to Financial Statements June 30, 2013 and 2012

Funding Policy

The contribution requirements of plan members and the University are established and may be amended by the Lincoln University Board of Curators. The required contribution is based on projected pay-as-you-go financing requirements. All participating retirees, except professors who have obtained emeritus status, are required to contribute the entire amount of the monthly premium to the plan. Premiums are determined annually on a pooled basis for the University's healthcare plan. For the years ended June 30, 2013 and 2012, the University contributed \$64,143 and \$71,937, respectively, to the plan for current premiums of 23 professor emeritus retirees. The University's contributions represented approximately 63% and 57%, respectively, of total 2013 and 2012 premiums. Plan members receiving benefits contributed \$37,646 and \$53,859, or approximately 37% and 43%, respectively, of total 2013 and 2012 premiums, through their required contribution.

Annual OPEB Cost and Net OPEB Obligation

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:

Annual required contribution	\$ 60,330
Interest on net OPEB obligation	5,238
Adjustment to the annual required contribution	(6,838)
Annual OPEB expense	58,730
Employer contributions made	64,143
Decrease in net OPEB obligation	(5,413)
Net OPEB obligation at June 30, 2012	116,408
Net OPEB obligation at June 30, 2013	\$ 110,995

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

Fiscal Year End	_	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation				
June 30, 2011 June 30, 2012	\$ \$	60,699 58,546	108.7% 122.9%	\$ \$	129,799 116,408			
June 30, 2013	\$	58,730	109.2%	\$	110,995			

Notes to Financial Statements June 30, 2013 and 2012

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability for benefits Actuarial value of assets	\$ 1,026,924
Total unfunded actuarial accrued liability (UAAL)	\$ 1,026,924
Funded ratio	0.0%
Annual covered payroll	\$ 21,298,411
Ratio of unfunded actuarial accrued liability to covered payroll	4.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Notes to Financial Statements June 30, 2013 and 2012

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, 2013 and 2012, there was no accrual recorded in the statements of net position.

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.

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 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.

Notes to Financial Statements June 30, 2013 and 2012

Note 9: 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.

Note 10: Natural Classifications with Functional Classifications

For the years ended June 30, 2013 and 2012, the following tables represent operating expenses with both natural and functional classifications:

2013

	mpensation nd Benefits	_	ontractual Services	Travel	S	supplies and laterials	ι	Jtilities	Other		Total
Instruction	\$ 11,440,576	\$	263,533	\$ 117,934	\$	237,083	\$	815	\$ 251,208	\$	12,311,149
Research	4,079,368		974,954	232,162		563,678		175,959	160,871		6,186,992
Community service	5,197,529		531,441	407,643		310,825		85,936	222,817		6,756,191
Academic support	2,156,702		64,662	27,697		101,729		6,064	257,339		2,614,193
Student services	3,377,166		830,086	452,298		235,019		230	445,111		5,339,910
Institutional support	4,852,279		2,542,478	211,386		99,839		113,797	308,269		8,128,048
Operations and maintenance of plant	1,749,540		400,545	16,215		324,462		1,282,871	35,310		3,808,943
Scholarships and fellowships	-		-	-		-		-	-		373,136
Depreciation and amortization	 			 					 		5,952,373
	\$ 32,853,160	\$	5,607,699	\$ 1,465,335	\$	1,872,635	\$	1,665,672	\$ 1,680,925	\$:	51,470,935

Notes to Financial Statements June 30, 2013 and 2012

	mpensation	_	ontractual Services		Travel	S	012 Supplies and laterials	Jtilities	Other		Total
Instruction	\$ 11,547,393	\$	210,346	\$	101,893	\$	377,238	\$ 445	\$ 210,098	\$	12,447,413
Research	4,322,160		1,229,569		186,393		689,041	142,735	180,092		6,749,990
Community service	5,383,090		660,953		350,404		494,458	62,356	340,691		7,291,952
Academic support	2,377,144		72,885		51,812		125,236	15,405	258,960		2,901,442
Student services	3,475,404		658,137		433,789		306,089	222	479,852		5,353,493
Institutional support	5,127,328		2,947,557		193,020		131,326	109,994	254,656		8,763,881
Operations and maintenance of											
plant	1,756,238		270,138		13,957		212,890	1,263,856	38,197		3,555,276
Scholarships and											
fellowships	-		-		-		-	-	-		441,516
Depreciation and amortization			-	_							5,929,963
	\$ 33,988,757	\$	6,049,585	\$	1,331,268	\$	2,336,278	\$ 1,595,013	\$ 1,762,546	\$:	53,434,926

Note 11: Lincoln University Foundation, Inc.

Financial Statements

The financial statements of Lincoln University Foundation, Inc. are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of position, a statement of activities and a statement of cash flows.

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.

Notes to Financial Statements June 30, 2013 and 2012

Under FASB ASC, 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, 2013 and 2012, with an estimated value of \$179,071 and \$175,560, 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.

The aggregate amount of investments summarized by major type at June 30, 2013 and 2012, was as follows:

	20	13
	Cost	Fair Value
Money market funds Fixed income securities Equity securities	\$ 35,408 1,742,501 3,984,473	\$ 35,408 1,732,286 4,647,302
Total investments	\$ 5,762,382	\$ 6,414,996

Notes to Financial Statements June 30, 2013 and 2012

20	1	2
20		_

	Cost	Carrying Amount
Money market funds	\$ 120,838	\$ 120,838
Fixed income securities	1,482,607	1,566,361
Equity securities	3,973,430	3,896,304
Total investments	\$ 5,576,875	\$ 5,583,503

Investment return consisted of the following for the years ended June 30, 2013 and 2012:

	 2013	2012
Dividends and interest	\$ 163,364	\$ 149,216
Realized and unrealized gains and losses	 648,043	 (248,503)
Total investment return	\$ 811,407	\$ (99,287)

Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012, are available for the following purposes:

	2013	2012
KJLU radio station	\$ 162,267	\$ 149,016
Lincoln University athletic programs	38,512	33,187
Lincoln University academic departments	44,878	33,271
Other Lincoln University programs	22,401	15,308
Lincoln University capital projects maintenance	9,259	27,999
General assistance for Lincoln University students	6,120	2,070
Loan funds for Lincoln University students	4,134	2,214
Promised to give in future years	19,647	16,094
General support of Lincoln University	62,570	66,898
Scholarships for Lincoln University students	 2,981,903	2,298,616
	\$ 3,351,691	\$ 2,644,673

Notes to Financial Statements June 30, 2013 and 2012

Permanently restricted net assets consisted of the following at June 30, 2013 and 2012:

	2013	2012
Scholarships for Lincoln University students Loan funds for Lincoln University students	\$ 3,453,82 10,00	
	\$ 3,463,82	9 3,332,300

Endowment Funds

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

		20	13	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
endowment funds	\$ -	\$ 2,575,146	\$ 3,463,820	\$ 6,038,966
	\$ -	\$ 2,575,146	\$ 3,463,820	\$ 6,038,966
		20	12	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	_	4 1057 214	Ф. 2.222.200	A 5.200.514
endowment funds	\$ -	\$ 1,957,214	\$ 3,332,300	\$ 5,289,514
	¢.	\$ 1,957,214	\$ 3,332,300	\$ 5,289,514

Fair Value of Financial Instruments

For assets and liabilities required to be reported at fair value, FASB ASC 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 within Level 3 of the hierarchy).

Notes to Financial Statements June 30, 2013 and 2012

The fair value hierarchy as prescribed by FASB ASC 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 liability (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, 2013 and 2012, aggregated by the level in the fair value hierarchy within which those measurements fall, were as follows:

2013								
Description	Description Total		Level 1 Level 2			Level 3		
	Φ.	25.400	Φ.	25.400	Φ.		Φ.	
Money market funds	\$	35,408	\$	35,408	\$	-	\$	-
Certificates of deposit		35,547		-		35,547		-
State and municipal bonds		107,217		-		107,217		-
Fixed income mutual funds		1,589,522		1,589,522		-		-
Equity mutual funds								
Growth funds		1,352,756		1,352,756		-		-
Mid-cap blend funds		157,612		157,612		-		-
Value funds		1,225,679		1,225,679		-		-
Index funds		304,414		304,414		-		-
International funds		1,106,416		1,106,416		-		-
Emerging markets funds		500,425		500,425				
Total equity mutual funds		4,647,302		4,647,302		<u>-</u>		
Total investments	\$	6,414,996	\$	6,272,232	\$	142,764	\$	

Notes to Financial Statements June 30, 2013 and 2012

2012							
Description		Total Level 1			Level 2	Level 3	
Money market funds	\$	120,838	\$	120,838	\$	-	\$ -
Certificates of deposit		36,982		-		36,982	_
State and municipal bonds		235,315		-		235,315	-
Fixed income mutual funds		1,294,065		1,294,065		-	-
Equity mutual funds							
Growth funds		793,320		793,320		-	-
Mid-cap blend funds		98,250		98,250		-	-
Value funds		1,218,369		1,218,369		-	_
Index funds		624,124		624,124		-	-
International funds		654,732		654,732		-	-
Emerging markets funds		507,508		507,508			 -
Total equity mutual funds		3,896,303		3,896,303			
Total investments	\$	5,583,503	\$	5,311,206	\$	272,297	\$ -

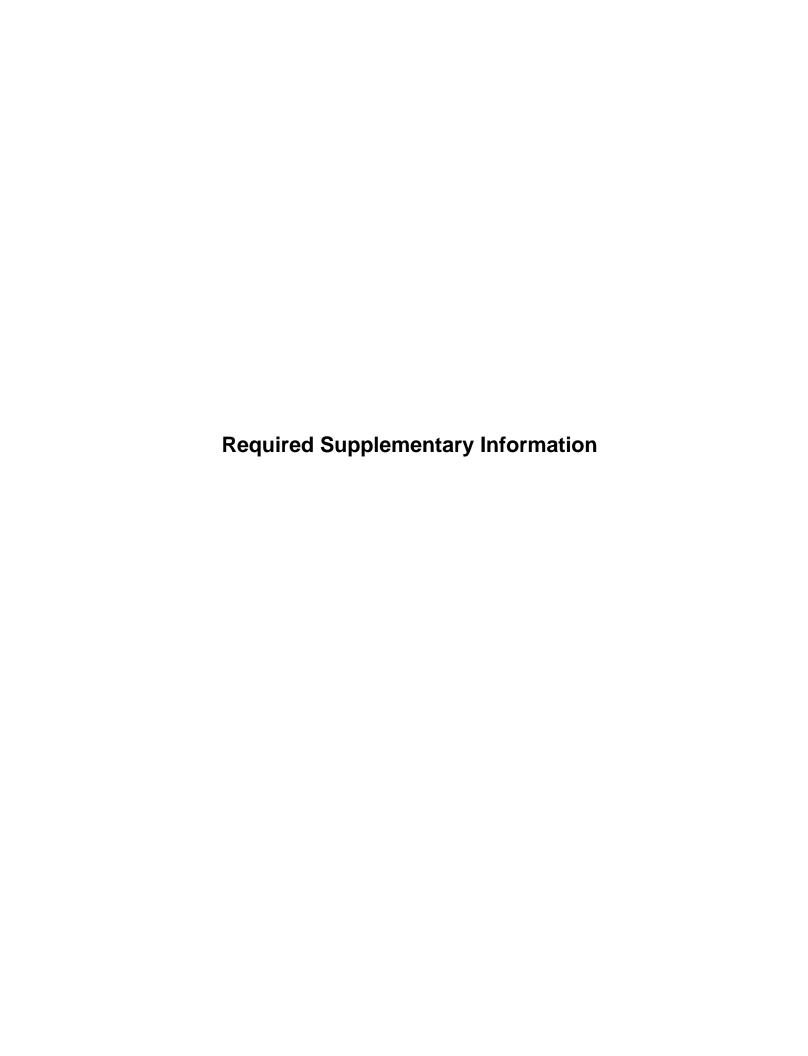
Notes Payable

The Foundation had a note payable to a local financial institution scheduled to mature in March 2013. The Foundation retired this note late in fiscal year 2012. The note had a floating interest rate equal to the prime rate minus 1/2%, and with a floor of 4%. The note was secured by investments owned by the Foundation. Interest expense totaled \$0 and \$3,901 for the years ended June 30, 2013 and 2012, respectively. The note proceeds were used for the Soldiers' Memorial Plaza Project at Lincoln University.

Note 12: Accounting Pronouncements

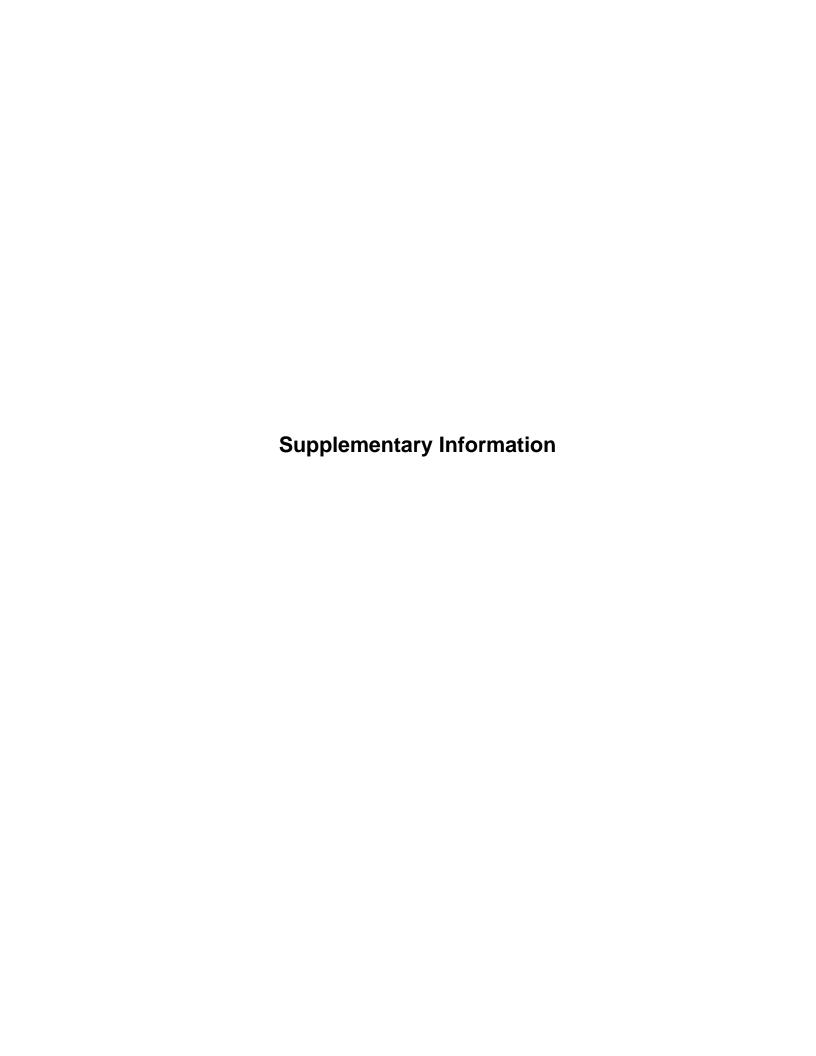
The University will implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014. This statement requires reclassification as deferred outflows or deferred inflows of resources certain items previously reported as assets and liabilities and recognition as expenses and revenues certain items that were previously reported as assets and liabilities. Management has not yet determined the impact it will have on the University's financial statements.

The University will implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015. This statement will require the inclusion of long-term obligations for pension benefits as a liability and will expand required disclosures. Management has not yet determined the impact it will have on the University's financial statements.



Required Supplementary Information Schedule of Prior Year Funding Progress June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$	\$ 2,711,406	\$ 2,711,406	0%	\$16,177,687	16.8%
7/1/2009	\$	\$ 1,064,605	\$ 1,064,605	0%	\$18,048,020	5.9%
7/1/2011	\$	\$ 1,026,924	\$ 1,026,924	0%	\$21,298,411	4.8%



Auxiliary Activity Fund Schedules of Revenues and Expenses Years Ended June 30, 2013 and 2012

			201	13		
	Residence			Vending	Student	
.	Halls	Cafeteria	Bookstore	and Other	Union	Total
Revenues	¢ 2.240.00¢	¢.	¢.	¢.	¢.	¢ 2 240 00¢
Residence hall contracts	\$ 2,349,886 752,490	\$ -	\$ -	\$ -	\$ -	\$ 2,349,886
Housing system appropriation Food service	732,490	1 525 640	-	-	-	752,490 1,535,649
Bookstore	-	1,535,649	137,127	-	-	1,333,649
Other	-	-	137,127	14521	-	
Vending	-	-	-	14,521 21,860	-	14,521 21,860
vending	3,102,376	1,535,649	137,127	36,381		4,811,533
Direct Expenses						
Salaries and wages	462,831	_	_	88,108	48,434	599,373
Fringe benefits	170,438	-	_	28,333	19,414	218,185
Equipment purchases	-	5,886	_	1,213	-	7,099
Contractual services	55,001	1,096,508	_	147	1,549	1,153,205
Travel	436	-	_	1,564	, <u> </u>	2,000
Supplies, cost of sales	5,865	-	_	1,795	12,588	20,248
Communications	7,550	188	(881)	1,533	2,162	10,552
Utilities	596,318	-	-	-	-	596,318
Other operating	175,543	-	-	1,294	905	177,742
	1,473,982	1,102,582	(881)	123,987	85,052	2,784,722
Excess (Deficiency) of Revenues						
Over Direct Expenses	\$ 1,628,394	\$ 433,067	\$ 138,008	\$ (87,606)	\$ (85,052)	2,026,811
Indirect Expenses						
Bad debts						30,192
Audit						14,450
Revenue bond trustee fees						5,956
Custodial services						223,006
Custodiai services						273,604
Other Income						273,001
Interest income						
Excess of Revenues Over Expenses						1,753,207
Mandatory Transfer for Principal and Interest on Indebtedness						(2,145,773)
Transfer In						565,000
Net Increase (Decrease) for the Year						172,434
Net Position, Beginning of Year						2,959,611
Net Position, End of Year						\$ 3,132,045

	2012						
Residence			Vending	Student			
Halls	Cafeteria	Bookstore	and Other	Union	Total		
\$ 3,052,471	\$ -	\$ -	\$ -	\$ -	\$ 3,052,471		
827,858	Ψ -	Ψ -	Ψ -	Ψ -	827,858		
-	2,079,763	_	_	_	2,079,763		
_	-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	152,920	_	_	152,920		
-	-	-	22,205	-	22,205		
-	-	-	32,257	-	32,257		
3,880,329	2,079,763	152,920	54,462		6,167,474		
452,532			93,478	62,103	608,113		
185,369	-	_	34,844	33,081	253,294		
165,507	_	_	1,206	1,284	2,490		
83,100	1,322,456	_	36,282	1,372	1,443,210		
491	1,322,430	_	1,714	1,646	3,851		
24,135	_	_	3,445	19,930	47,510		
12,198	(1,897)	(1,786)	2,441	3,464	14,420		
567,070	-	-	, -	222	567,292		
189,525	700	-	1,316	2,276	193,817		
1,514,420	1,321,259	(1,786)	174,726	125,378	3,133,997		
\$ 2,365,909	\$ 758,504	\$ 154,706	\$ (120,264)	\$ (125,378)	3,033,477		
\$ 2,303,909	\$ 736,304	\$ 134,700	\$ (120,204)	\$ (125,576)	3,033,477		
					25,178		
					10,350		
					5,957		
					223,502		
					264,987		
					2.769.400		
					2,768,490		
					(1,596,588)		
					36,163		
					1,208,065		
					1,751,546		
					\$ 2,959,611		

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity
(11-12)	U.S. Department of Education
(12-13)	U.S. Department of Education

U.S. Department of Agriculture

Federal Student Aid	
Federal Pell Grant Program (11-12)	U.S. Department of Education
Federal Pell Grant Program (12-13)	U.S. Department of Education
Federal Pell Administrative Cost Allowance	U.S. Department of Education
Federal Workstudy Program (10-11)	U.S. Department of Education
Federal Workstudy Program (11-12)	U.S. Department of Education
Federal Workstudy Program (11-13)	U.S. Department of Education
Federal Supplemental Educational Opportunity Grants (11-12)	U.S. Department of Education
Federal Supplemental Educational Opportunity Grants (12-13)	U.S. Department of Education
Federal Direct Student Loans (11-12)	U.S. Department of Education
Federal Direct Student Loans (12-13)	U.S. Department of Education
Research and Development	
Cooperative Research, Education and Extension Service	U.S. Department of Agriculture
Reducing Arsenic Uptake by Domestic Rice	U.S. Department of Agriculture
Using Experiential Learning in Natural Resources to Mentor	U.S. Department of Agriculture
Students' Professional Development	1 2
Nano-Biotechnology	U.S. Department of Agriculture
Microalgae Based Biofuels and Byproducts	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	U.S. Department of Agriculture
Using Fluorescence EEM Spectroscopy	1
Hydrologic Processes Controlling Stream Water Quality in a Missouri	U.S. Department of Agriculture
Claypan Water Shed	1
Establishing 1890's Land Grant University Water Center	U.S. Department of Agriculture/
·	Virginia State University
LU Natural Resource Program Development, Recruitment and Retention	U.S. Department of Agriculture
Developing a Behaviorally-Based, Sustainable Integrated Pest Management	U.S. Department of Agriculture
Push Pull Strategy for Cucumber Beetles in Missouri	
Silver Nanoparticles as Pesticide for Agricultural Applications	U.S. Department of Agriculture
Novel Escherichia Coli Genetic Markers for Water Safety	U.S. Department of Agriculture
Small Ruminant Grazing Conference	U.S. Department of Agriculture
Small Ruminant Grazing Conference	U.S. Department of Agriculture
Evaluate Newly Designed Least Cost Experimental Diets for Bluegill	U.S. Department of Agriculture/
at Commercial Densities	Michigan State University
Climate Change, Mitigation and Adaptation in Corn-Based Cropping	U.S. Department of Agriculture/
Systems	Iowa State University
Development of Aquaculture Integrated Pest Management Training	U.S. Department of Agriculture
for Missouri Stakeholders	
Alternative Energy Production and Utilization on Farms: A Workshop	U.S. Department of Agriculture
	University of Minnesota
Native Plant Material Program	U.S. Department of Agriculture/
-	U.S. Forest Service
Cover Crop Management for Sweet Corn and Edamame Soybean	U.S. Department of Agriculture

Production Workshop and Demonstration Project

Production Workshop and Demonstration Project

Cover Crop Management for Sweet Corn and Edamame Soybean

Grant or				
CFDA	Identifying	Amount		
Number	Number	Expended		
84.063	P063P101741	\$ (5,765)		
84.063	P063P121741	6,477,129		
84.063		8,665		
84.033	P033A102336	1,529		
84.033	P033A102336	73,099		
84.033	P033A122336	140,561		
84.007	P007A102336	(8,568)		
84.007	P007A102336	93,840		
84.268	P268K111741	449,188		
84.268	P268K131741	15,090,806		
		22,320,484		
10.205	CREN08911	3,283,808		
10.216	2008-38814-04727	4,374		
10.216	2008-38820-04783	23,719		
10.210	2000 20020 0 1700	25,719		
10.216	2008-38820-04793	834		
10.216	2010-38821-21444	117,975		
10.216	2010-38821-21443	32,674		
10.216	2010-38821-21525	152,477		
10.216	2010-38821-21558	153,512		
10.216	2011-38821-30956	85,999		
10.216	2010-38821-21614	3,069		
10.216	2011-38821-30964	21,087		
10.216	2010-38821-30867	67,229		
10.216	2011-38821-31034	114,890		
10.216	2011-38821-31033	124,606		
10.912	69-6424-11-137	(1,031)		
10.912	69-6424-11-137	2,550		
10.200	2008-38500-19157	11,166		
10.310	2011-68002-30190	129,950		
10.500	2011-41530-30797	7,419		
10.500	2011-47001-30538	35,369		
None	11-CS-11090500-021	1,736		
10.912	69-6424-11-138	17,210		
10.912	69-6424-11-138	1,450		

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

	Federal Agency/
Cluster/Program	Pass-Through Entity
Research and Development (Continued)	
Promoting NRCS Conservation Programs and Practices through a	U.S. Department of Agriculture
Missouri Minority and Limited Resources Farmers' Conference	
Analysis of the Best Practices in Organic and High	U.S. Department of Agriculture
Tunnel Vegetable Production	
Expanding Agriculture Production Opportunities and Controlling	U.S. Department of Agriculture
Invasive Species Utilizing Small Ruminant Grazing Application	
A Model for Achieving Success in STEM (AMASS)	National Science Foundation
Multi-Threat Detection Initiative (MTDI)	U.S. Army Research, Development and
	Engineering Command
Improving Drinking Water Quality for Small Rural Communities in Missouri	Environmental Protection Agency
Plant Growth Experiment	National Science Foundation/Missouri
•	University of Science & Technology
Restoration of Xeric Low Fertility Sties with Poverty Grass	U.S. Department of Agriculture/
	U.S. Forest Service
ARRA - Novel 3 Dimensional Biosensor for Rapid Detection	National Science Foundation/
•	University of Missouri
Student Understanding of Price Risk Management through Experiential	U.S. Department of Agriculture
Learning via Distance Education Delivery	University of Missouri
Enhanced Atrazine Removal from Water by Ordered Mesoporous Carbons	U.S. Department of Agriculture
, , , , , , , , , , , , , , , , , , ,	Virginia State University
A Practical Approach to Integrating Nanotechnology Education into	U.S. Department of Agriculture
Agriculture & Environmental Science Curriculum	2 12 1 2 1 T 1 T 1 T 1 T 1 T 1 T 1 T 1 T
Mentoring Students in Natural Resources to Meet the Triple Challenge of	U.S. Department of Agriculture
Managing Invasive Species and Rare Species in a Changing Climate	2 12 1 2 1 T 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Cover Crop Management for Sweet Corn & Green Bean Production	U.S. Department of Agriculture
Workshop & Demonstration Project	2 12 1 2 1 The second of the s
Cover Crop Management for Sweet Corn & Green Bean Production	U.S. Department of Agriculture
Workshop & Demonstration Project	2 12 1 2 1 The second of the s
Sustainable Market Development & Resource Use for Specialty Crops	U.S. Department of Agriculture
Quantifying the Impact of Soil Health Management Practices on Soil	U.S. Department of Agriculture
Properties, Nutrient Cycling and Plant Growth	2 .2.
Small Ruminant Grazing Workshop	U.S. Department of Agriculture
Adding Cover Crops to Corn Stover for Improved Grazing	U.S. Department of Agriculture
Socio-Economic Factor & Adoption of Energy Crops	U.S. Department of Agriculture
Integrated Management of Foliar Diseases of Watermelon in Missouri	U.S. Department of Agriculture
ARRA - A Time for Freshman Physics in Missouri	National Science Foundation/
That I I I I I I I I I I I I I I I I I I I	University of Missouri
Structure and Kinematics of an Accommodation Zone with the Evolving	National Science Foundation
Afar Triple Junction, Central Afar (Ethiopia and Djibouti)	National Science Foundation
Applying Performance Pyramid to STEM Education	National Science Foundation
Applying Performance Pyramid to STEM Education (Participant Costs)	National Science Foundation
Suicide Prevention - Resiliency Survey	U.S. Army Mission and Installation Contracting
Research Assistant for the Missouri Nutrient Reduction Strategy	Environmental Protection Agency/Missouri
Research Assistant for the typosouth fourtent Reduction strategy	Environmental Protection Agency/Wissoull

Department of Natural Resources

U.S. Army Research Lab/

Leonard Wood Institute

Development Project

Health & Performance

Investigations of the Cumulative Effects of Vibration on Human

CFDA Number	Grant or Identifying Number	mount pended
Humber	Number	 penaca
10.902	69-6424-11-139	\$ 1,722
10.912, 10.902	68-6424-10-121	83,084
10.912, 10.902	69-6424-11-142	68,903
47.076	HRD-1036091	217,270
None	W911SR-11-C-0010	117,078
66.509	83517301	130,584
47.410	NSF ECCS-0644679	12,293
None	09-JV-11242311-103	427
47.082	ECCS - 0925612	695
20.217	2011-38411-60562	3,764
10.216	2010-38821-2614	11,604
10.216	2012-38820-20039	1,098
10.216	2012-38820-20130	19,034
10.924	69-6424-12-150	5,331
10.924	60 6424 12 150	170
10.924 10.924	69-6424-12-150	170
10.216	2012-38814-20289	16,166
10.912, 10.914,	69-6424-12-167	6,053
10.924		
10.902, 10.912	69-6424-12-151	14,472
10.912, 10.914,	69-6424-12-166	45,182
10.310	2013-67009-20419	3,805
10.303	2012-51120-20252	2,718
47.082	DUE - 0928924	6,529
47.050	EAR-1220450	20,253
47.076	HRD-1238363	41,381
47.076	HRD-1238363	11,221
None	W29124D-12-P-0583	74,311
66.475	MX-977342-01	20,929
12.431	W911NF-07-2-0062	42,418

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Federal Agency/ Pass-Through Entity

Cluster/Program

Research and Development (Continued)

Eager: An In-Home Health Alert System with Remote Care Coordinator

Cooperative Extension

Cooperative Extension Programs

Satellite & Off-Campus Enhancement & Expansion RREA – Renewable Resource Extension Account EFNEP – Expanded Food Nutritional Program

Vegetable Grafting Training for Agricultural Professionals

Socially Disadvantaged Farmers and Ranchers

Farmers

Disadvantaged Farmers

Goat Industry Community of Practice

NCR - SARE

McIntire Stennis Cooperative Forestry Act Funds

Evaluating the Performance and Grazing Behavior of Meat Goats in the Development of a Field Station in Missouri Woodlands

Food & Agricultural Sciences: Preparing Future Graduate Students

Enhancing Profitability of Small and Medium Sized Farms through Interactive Decision Making Tools and Modules

AG Discovery Summer Enrichment Program

Building Capacity and Empowering New, Diversifying and Hispanic Small Farmers

Regional Aquaculture Center - North Central Region

Strengthening the Extension IPM Program at Lincoln University Missouri Families Integrating Nature, Conservation & Agriculture - The FINCA

Continuing to Promote USDA Outreach Programs & Sustainable Agriculture through the Annual Conference

Modeling Land Use & Stream Water Quality Using a GIS: A Case Study of Hinkson Creek Watershed

State Abstinence Education Primary Prevention Program

State Abstinence Education Primary Prevention Program

National Science Foundation/ University of Missouri

U.S. Department of Agriculture

U.S. Department of Agriculture

U.S. Department of Agriculture

U.S. Department of Agriculture

U.S. Department of Agriculture/ University of Minnesota

U.S. Department of Agriculture

U.S. Department of Agriculture

U.S. Department of Agriculture/ University of Nebraska

U.S. Department of Agriculture/ University of Minnesota

U.S. Department of Agriculture

U.S. Department of Agriculture

U.S. Department of Agriculture/ University of Maryland Eastern Shore

U.S. Department of Agriculture/ University of Missouri

U.S. Department of Agriculture

U.S. Department of Agriculture/ University of Nebraska

U.S. Department of Agriculture Michigan State University

U.S. Department of Agriculture

U.S. Department of Agriculture

U.S. Department of Agriculture

U.S. Department of Agriculture/ Virginia State University

U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services

U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services

CFDA Number	Grant or Identifying Number	Amount Expended
		<u>'</u>
47.070	CNS-1237970	\$ 10,550
		5,381,117
10.500	EF4408911	3,156,346
10.500	2003-45200-01765	394,400
10.500	4600008911	8,437
10.500	4151008911	140,527
10.500	2008-47001-04671	3,202
10.443	2009-39300-20152	74,518
10.443	59-2501-11-016	108,773
10.500	2007-41595-03903	10,883
10.500		22,917
10.202	2010-32100	45,396
10.216	2011-38821-30958	52,765
10.216	2011-38821-30948	20,944
10.310	2012-68006-30180	13,728
10.025	12-1001-0835-CA	21,428
10.500	2010-49200-06200	8,457
10.200	2010-38500-20929	23,151
10.500	2012-41534-20299	12,172
10.216	2012-38821-20103	8,793
10.443	59-2501-11-016S	3,594
10.216	2010-38821-21614	4,166
93.235	1001MOAEGP	244,407
93.235	1201MOAEGP	163,532
		4,542,536
		.,2,30

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

	Federal Agency/
Cluster/Program	Pass-Through Entity
Higher Education Institutional Aid (FY10)	U.S. Department of Education
Higher Education Institutional Aid (FY12)	U.S. Department of Education
Higher Education Institutional Aid (FY13)	U.S. Department of Education
Higher Education Institutional Aid (Endowment Fund)	U.S. Department of Education
State Fiscal Stabilization Fund ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	U.S. Department of Education/
	State of Missouri
International Training – Foreign Participant	
Farmer to Farmer Program	U.S. Department of Agriculture/ International Cooperative & Development
FY-11 SCEP PRC Team 6: Soil Testing and Sulfur Usage	U.S. Department of Agriculture
Serbia - Judicial Rule of Law	FHI Development 360
Bulgaria - Vegetable and Fruit Production and Processing	U.S. Department of Agriculture
Kazakhstan - Management Techniques in Dairy Production	U.S. Department of Agriculture
Management recomputes in Burry Frontedon	e.s. Bepartment of Agriculture
Wildlife Initiative Program Center of Excellence	U.S. Department of Agriculture
in Natural Resource Management	
Outsourcing the Academic Phase of Training for the U.S. Army Prime Power School	U.S. Army Corps of Engineers
Missouri Space Grant Consortium	NASA/Missouri University of Science and Technology
Lincoln Clarion Digitizing Project	Institute of Museum and Library Services/ Missouri SOS Sate Library
IREX Cultural Exchange Services	U.S. Department of State/
	International Research & Exchange
Water Boot Camp	Environmental Protection Agency
Ensuring Understanding of Science Via Inquiry	U.S. Department of Education/ Missouri Department of Higher Education
TRIO Student Support Services	U.S. Department of Education
MO Energy Sector Partnership and Training Program	U.S. Department of Labor/Missouri Department of Economic Development/
	University of Missouri
State Energy Program	U.S. Department of Energy/Missouri
	Department of Natural Resources

CFDA Number	Grant or Identifying Number	Amount Expended
84.031B 84.031B 84.031B	P031B100021 P031B120544 P031B070025	\$ 467,806 908,075 1,542,139
84.031B	P031B070025	838,554 3,756,574
84.397	None	319,781
10.962	None	1,300
10.961 None 10.962 10.962	58-3148-1-244 3311 58-3148-0-242 (6) 58-3148-3-043	29,613 72 22,042 20,835
10.028	08-711-0025-CA	73,862
None	W912HQ-11-D-0003	294,895
43.001	NNX10AI92H	3,325
45.31	2011-LSD1-DIGC1CN1- 6399	2,692
None	S-ECAAE-08-CA-033 (JY)	2,261
66.424	97734501	14,853
84.367B	None	(22)
84.042A	P042A101390	335,155
17.275	75-21-18-09	134,791
81.041	None	1,863,000
		\$ 39,056,295

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

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 Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- 2. Of the federal expenditures presented in this schedule, Lincoln University provided federal awards to subrecipients as follows:

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Program	CFDA Number	Subrecipient	Amount Provided
Microalgea Based Biofuels and Bioproducts	10.216	Missouri University of Science and Technology	62,598
Tracking Dissolved Organic Nitrogen in Terrestrial Aquatic Systems Using Fluorescence EEM Spectroscopy	10.216	Old Dominion University	4,718
Tracking Dissolved Organic Nitrogen in Terrestrial Aquatic Systems Using Fluorescence EEM Spectroscopy	10.216	University of Missouri Columbia	59,635
Hydrologic Processes Controlling Stream Water Quality in a Missouri Claypan Water Shed	10.216	U.S. Department of Agriculture Research Service	16,014
Silver Nanoparticles as Pesticide for Agriculture Applications	10.216	U.S. Department of Agriculture Research Service	18,485
Silver Nanoparticles as Pesticide for Agriculture Applications	10.216	University of Missouri Columbia	24,193
Novel Escherichia Coli Genetic Markers for Water Safety	10.216	University of Missouri Columbia	83,620
Alternative Energy Production & Utilization on Farms: A Workshop	10.500	University of Missouri Columbia	6,254
Improving Drinking Water Quality for Small Rural Communities in Missouri	66.509	University of Missouri Columbia	42,901
Improving Drinking Water Quality for Small Rural Communities in Missouri	66.509	Missouri University of Science and Technology	44,308
Promoting USDA Programs and Sustainable Agriculture to Socially Disadvantaged Farmers	10.443	University of Missouri Columbia	8,628
Evaluating the Performance and Grazing Behavior of Meat Goats in the Development of a Field Station in Missouri Woodlands	10.216	Langston University	364
Evaluating the Performance and Grazing Behavior of Meat Goats in the Development of a Field Station in Missouri Woodlands	10.216	Crowder College	7,983
Continuing to Promote USDA Outreach Programs & Sustainable Agriculture through the Annual Conference	10.443	University of Missouri Columbia	376
Outsourcing the Academic Phase of Training for the US Army Prime Power School	None	Concurrent Technologies Corporation	255,884
Applying Performance Pyramid to STEM Education	47.076	Florence Fasanelli	6,000
			\$ 641,961





Independent Auditor's 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, 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, the financial statements of Lincoln University, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2013, which contained a reference to the report of other auditors. Other auditors 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 auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Lincoln University Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.





Board of Curators Lincoln University

Compliance

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*.

Other Matters

We noted certain matters that we reported to the University's management in a separate letter dated October 28, 2013

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD,LLP

Springfield, Missouri October 28, 2013





Independent Auditor's 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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Lincoln University with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln University's major federal programs based on our audit of the types of compliance requirements referred to above.

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 on compliance for each major federal program. Our audit does not provide a legal determination on the University's compliance with those requirements.





Board of Curators Lincoln University

Opinion on Each Major Federal Program

In our opinion, Lincoln University complied, in all material respects, with the compliance 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, 2013.

Report on Internal Control Over Compliance

The management of Lincoln University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Springfield, Missouri

BKD,LLP

October 28, 2013

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Summary of Auditor's Results

1.	The opinion expressed in the independent auditor's report was:		
	☐ Unmodified ☐ Qualified ☐ Adverse ☐ ☐	Disclaimed	
2.	The independent auditor's report on internal control over financial	reporting di	sclosed:
	Significant deficiency(ies)?	Yes	None reported
	Material weakness(es)?	Yes	⊠ No
3.	Noncompliance considered material to the financial statements was disclosed by the audit?	Yes	⊠ No
4.	The independent auditor's report on internal control over complia direct and material effect on major federal awards programs discle		uirements that could have a
	Significant deficiency(ies)?	Yes	None reported
	Material weakness(es)?	Yes	⊠ No
5.	The opinion expressed in the independent auditor's report on comthat could have a direct and material effect on major federal award	•	requirements
	☐ Unmodified ☐ Qualified ☐ Adverse ☐ ☐	Disclaimed	
6.	The audit disclosed findings required to be reported by OMB Circular A-133?	Yes	⊠ No
7.	The University's major programs were:		
Cluster/Program		CFD	A Number
	Student Financial Aid Cluster: Federal Pell Grant Program Federal Workstudy Program Federal Supplemental Educational Opportunity Grants Federal Direct Student Loans Higher Education Institutional Aid	8	84.063 84.033 84.007 84.268 84.031B
	State Energy Program		81.041

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

8.	The threshold used to distinguish between Type A and Type B pr in OMB Circular A-133 was \$446,184.	ograms as those	e terms are de	fined
9.	The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133?	☐ Yes	⊠ No	

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Findings Required to be Reported by Government Auditing Standards

Reference		Questioned	
Number	Finding	Costs	

No matters are reportable.

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Findings Required to be Reported by OMB Circular A-133

Reference		Questioned
Number	Finding	Costs

No matters are reportable.

Summary Schedule of Prior Audit Findings Year Ended June 30, 2013

Reference Number	Summary of Finding	Status
2012-001	CFDA Number 84.268 Federal Direct Student Loans U.S. Department of Education Student Financial Aid Cluster Program Year 2011-2012	Resolved
	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.	
	Condition – Three student enrollment status change dates were not communicated to NSLDS on a timely basis.	
	Context – Out of a population of 553 student enrollment status changes requiring lender notification, a sample of 40 student status changes was selected for testing.	
	Effect – NSLDS was not notified of student enrollment status changes timely.	
	Cause – Personnel responsible for notification overlooked these enrollment changes and did not notify NSLDS within the required timeframe.	