

**Lincoln University**  
**A Component Unit of the State of Missouri**  
Independent Auditor's Reports and Financial Statements  
June 30, 2020 and 2019

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## Independent Auditor's Report

Board of Curators  
Lincoln University  
Jefferson City, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of Lincoln University (the "University"), a component unit of the State of Missouri, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic 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 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln University as of June 30, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, 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 an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Auxiliary System Revenue Fund – Schedules of Revenues and Expenses and the Athletic Facilities Revenue Fund – Schedule of Revenues and Expenses as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Auxiliary System Revenue Fund – Schedules of Revenues and Expenses, and the Athletic Facilities Revenue Fund – Schedule of Revenues and Expenses are 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. Such 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of Lincoln University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

*BKD, LLP*

Springfield, Missouri  
December 18, 2020

# **Lincoln University**

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

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

### **Years Ended June 30, 2020 and 2019**

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, 2020 and 2019, with selected comparative information for the year ended June 30, 2018. 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 State of Missouri system of higher education. Founded in 1866 through the cooperative efforts of the enlisted men and officers of the 62<sup>nd</sup> and 65<sup>th</sup> Colored Infantries, Lincoln University was designed to meet the educational and social needs of freed African Americans. While remaining committed to this purpose, the University has expanded its historical mission to embrace the needs of a significantly broader higher education population. Our current mission statement further delineates the University's character and historical nature:

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

#### **Academic Programs**

The academic programs of the University are organized under two Colleges: the College of Arts and Sciences and the College of Agriculture, Environmental and Human Sciences; and three Schools: Education, Business and Nursing, along with the Office of Graduate Studies. During fiscal year 2020, Lincoln University offered eight undergraduate degrees: Bachelor of Arts (B.A.), Bachelor of Liberal Studies (B.L.S.), Bachelor of Science (B.S.), Bachelor of Science in Education (B.S.Ed.), and 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 with all business graduate degree programs being offered using an online modality. 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, and management information systems; Master of Science (M.S.) in environmental science, natural sciences, and integrated agricultural systems; Master of Arts (M.A.) in education.

#### **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, deferred outflows, liabilities, and deferred inflows. 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 loss, is primarily a result of the classification of state appropriations as nonoperating revenue. Also, this statement reflects a change in the University's net position based upon expenses in excess of revenues.

*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, 2020, 2019, and 2018, is as follows:

	<b>Net Position, End of Year</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>(In Millions)</b>		
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 37.0	\$ 31.0	\$ 31.6
Capital assets, net	81.5	81.8	86.4
Other noncurrent assets	3.2	24.6	3.4
Deferred outflows of resources	<u>9.1</u>	<u>11.6</u>	<u>14.3</u>
Total assets and deferred outflows of resources	<u>130.8</u>	<u>149.0</u>	<u>135.7</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	7.2	24.8	7.9
Noncurrent liabilities	66.8	64.2	66.2
Deferred inflows of resources	<u>1.8</u>	<u>3.4</u>	<u>1.5</u>
Total liabilities and deferred inflows of resources	<u>75.8</u>	<u>92.4</u>	<u>75.6</u>
<b>Net Position</b>			
Net investment in capital assets	66.2	64.3	66.4
Restricted – nonexpendable	0.1	0.1	0.1
Restricted – expendable	4.6	2.1	2.4
Unrestricted	<u>(15.9)</u>	<u>(9.9)</u>	<u>(8.8)</u>
Total net position	\$ <u>55.0</u>	\$ <u>56.6</u>	\$ <u>60.1</u>

In fiscal year 2019, the University ended its affiliation with the Lincoln University Foundation, Inc. Due to this separation, 2018 financial data was restated and now includes the activity of the special purpose funds transferred to the University from the Foundation. In fiscal year 2020, the University received the transfer of the Endowment Challenge scholarship funds held by the former Lincoln University Foundation, Inc.

During the 2020 fiscal year, total assets and deferred outflows of resources decreased by \$18.2 million and total liabilities and deferred inflows of resources decreased by \$16.7 million. The total net position decreased by \$1.6 million compared to fiscal year 2019. In fiscal year 2020, the University's current assets of \$37 million were sufficient to cover current liabilities of \$7.1 million. The current ratio increased to 5.2 in 2020 from 1.3 in 2019 and 4.0 in 2018. The change in the current ratio for 2020 is due to timing of refunding the 2007 series revenue bonds in fiscal year 2020.

The University's liabilities and deferred inflows of resources totaled \$75.7 million at June 30, 2020, and \$92.4 million at June 30, 2019. Noncurrent liabilities totaled \$66.8 million in 2020 and \$64.2 million in 2019. Noncurrent liabilities are comprised of net pension liability as required by Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71 (see *Note 6*), postemployment benefit liability as required by GASB Statement No. 75 (see *Note 7*) as well as bonds and notes payable. The change in liabilities and deferred inflows of resources in fiscal year 2020 was primarily a result of an increase in net pension liability of \$3.7 million and partially offset by a decrease in long-term debt of \$1.2 million due to regular amortization.

The unrestricted portion of net position in 2020 was a negative \$15.9 million compared to a negative \$9.9 million in 2019. Unrestricted fund balance includes the noncash adjustments for post-retirement benefits outlined under GASB No. 68 and No. 75. Below is a chart that further outlines the unrestricted net position by fund.

#### Unrestricted Net Position by fund

	2020	2019	2018
	(In Millions)		
General Fund	\$ 15.4	\$ 16.6	\$ 14.8
General Fund (GASB 68)	(38.3)	(33.4)	(30.0)
General Fund (GASB 75)	(0.6)	(0.6)	(0.7)
Auxiliary Fund	3.8	3.4	3.6
Restricted Fund	2.4	2.5	2.2
Endowment Fund	0.3	0.2	0.2
Plant Fund	1.1	0.6	0.5
Office of Institutional Advancement	<u>—</u>	<u>0.8</u>	<u>0.6</u>
Total unrestricted net position	\$ <u>(15.9)</u>	\$ <u>(9.9)</u>	\$ <u>(8.8)</u>



## ***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.

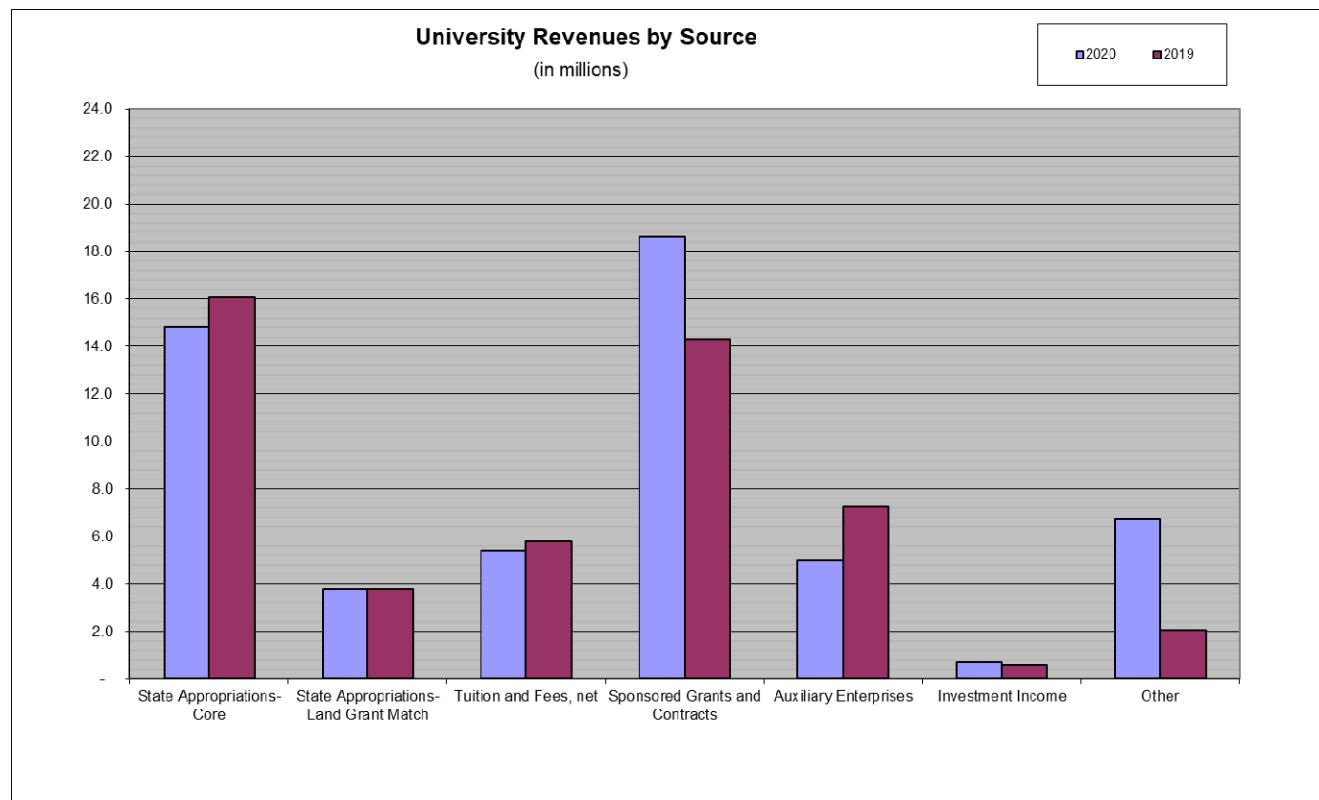
A summarized comparison of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2020, 2019, and 2018, is as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>(In Millions)</b>		
Operating revenues	\$ 14.0	\$ 13.0	\$ 13.6
Operating expenses	<u>57.4</u>	<u>51.6</u>	<u>52.0</u>
Operating loss	(43.4)	(38.6)	(38.4)
Net nonoperating revenues	<u>40.2</u>	<u>36.0</u>	<u>34.7</u>
Loss before other revenues, expenses, gains, or losses	(3.2)	(2.6)	(3.7)
Loss on President's Residence tornado damage, net of insurance recovery	—	(1.0)	—
Capital appropriations	—	—	0.2
Capital grants and gifts	<u>1.6</u>	<u>0.1</u>	<u>0.7</u>
Increase (decrease) in net position	<u>(1.6)</u>	<u>(3.5)</u>	<u>(2.8)</u>
Net position, beginning of year, as previously reported	56.6	60.1	63.6
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>	<u>(0.7)</u>
Net position, beginning of year, as restated	<u>56.6</u>	<u>60.1</u>	<u>62.9</u>
Net position, end of year	<u>\$ 55.0</u>	<u>\$ 56.6</u>	<u>\$ 60.1</u>

The total operating loss for fiscal year 2020 was \$43.4 million, most of which was offset by nonoperating revenues of \$40.2 million. The largest component of nonoperating revenues is state appropriations followed by federal grants and contracts. Although, these revenues support operating expenses, Governmental Accounting Standards Board (GASB) mandates that these revenues be recorded as nonoperating revenues. Despite increased operating and net nonoperating revenues, revenues were not sufficient to cover the increased operating expenses resulting in an overall loss of \$3.2 million in fiscal year 2020, an increase of \$0.6 million compared to the overall loss of \$2.6 million in fiscal year 2019. Operating expenses increased at a greater rate (11 percent) compared to revenues at (10 percent). Operating expenses were impacted by an increase in pension expenses compared to 2019.

## Revenues (Operating and Nonoperating)

The following graph displays the components of the University's revenues for fiscal years 2020 and 2019:



As shown above, the largest component of total revenues (operating and nonoperating) is sponsored grants and contracts which surpassed core state appropriations in 2020. Historically core state appropriations is the University's largest revenue source, in 2020 making up 27 percent of University revenues. For fiscal year 2020, the University was initially appropriated \$17.1 million in core appropriations net of the 3 percent reserve. As a result of the COVID-19 pandemic, universities suffered a 13 percent withhold of core appropriations resulting in net appropriations for fiscal year 2020 of \$14.8 million. For fiscal year 2019, the University was appropriated \$16.1 million, net of 3 percent reserves. In fiscal year 2020, the University also received federal CARES Act funding to offset auxiliary revenue losses as a result of refunds to students in the residence halls when the halls were closed early due to the virus. The \$2.1 million in CARES Act funding is recorded in Sponsored Grants and Contracts.

Student tuition and fees revenue of \$5.4 million is shown net of \$8.0 million in scholarship allowances, \$2.9 million in tuition discounts, and \$0.4 million in bad debt.

The following table represents the details of the University's federal grants and contracts revenue for the year ended June 30, 2020:

Department of Agriculture	\$ 8,676,233
Department of Education (excluding financial aid)	5,074,428
Department of Defense	183,279
Department of Health and Human Services	94,519
National Aeronautics and Space Administration	39,025
National Science Foundation	251,333
Other Federal Sources	<u>60,200</u>
<b>Total federal sources</b>	<b><u>\$ 14,379,017</u></b>

## **Operating Revenues**

The following table summarizes the University's operating revenues by source for the years ended June 30, 2020, 2019, and 2018:

	2020	2019	2018
	(In Millions)		
Tuition and fees, net	\$ 5.4	\$ 5.8	\$ 5.8
Grants and contracts	0.2	0.2	0.2
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	5.0	6.6	7.0
Other	<u>3.3</u>	<u>0.3</u>	<u>0.5</u>
Total operating revenues	\$ <u>14.0</u>	\$ <u>13.0</u>	\$ <u>13.6</u>

In fiscal year 2020, operating revenues increased from fiscal year 2019. Tuition and fees declined by \$0.4 million. Additionally, Auxiliary Enterprises decreased by \$1.6 million from fiscal year 2019. These were due to a combination of decreased enrollment and the COVID-19 pandemic. Auxiliary enterprises decreased as a direct result of COVID-19. Residential students received a credit/refund for a portion of their room and board fees as a result of an early move out in the spring of 2020. A large portion of these revenues were recouped by CARES Act funding and recorded in nonoperating revenue. In fiscal year 2020, other operating revenues increased by \$3.0 million, primarily due to the inflow of insurance proceeds from the tornado damage that occurred in spring of 2019 of \$2.93 million.

In fiscal year 2019, operating revenues decreased slightly from fiscal year 2018. Tuition and fees remained steady. The steady revenues from tuition and fees was offset by a decrease of \$0.4 million in Auxiliary Enterprises, due to a reduction in participation in room and board plans. There was a decrease of \$0.2 million in other operating revenues, primarily due to a settlement between the University and its telecommunications provider in 2018.

## **Operating Expenses**

The following table summarizes the University's operating expenses for the years ended June 30, 2020, 2019, and 2018:

	2020	2019	2018
	(In Millions)		
Compensation	\$ 21.8	\$ 20.9	\$ 20.7
Benefits	12.6	10.0	10.7
Contractual services	10.1	8.8	8.9
Supplies and materials	1.7	1.2	1.3
Depreciation and amortization	5.7	5.5	5.4
Utilities/communications	1.9	1.9	2.0
Scholarships and fellowships	1.0	0.1	0.1
Other	<u>2.6</u>	<u>3.2</u>	<u>2.9</u>
Total operating expenses	\$ <u>57.4</u>	\$ <u>51.6</u>	\$ <u>52.0</u>

Operating expenses in 2020 increased to \$57.4 million from \$51.6 million in 2019. The largest components of operating expenses are compensation and benefits. Compensation increased by \$0.9 million compared to 2019 split evenly between general operating activities and grants and contracts while benefits increased by \$2.6 million primarily due to an increased expense associated with GASB No. 68 of \$2.5 million. Contractual services increased by \$1.3 million as compared to 2019. This increase was due to construction related to the Dickenson Research Center, Sikeston Extension facility as well as greenhouses for research projects. Scholarships and fellowships increased by \$0.9 million as a result of \$0.8 million in CARES Act funding provided directly to the students. All other categories predominately remained steady.

Operating expenses in 2019 decreased to \$51.6 million from \$52.0 million in 2018. The largest component of operating expenses is compensation which increased by \$0.3 million compared to 2018. Other operating expenses grew by \$0.3 million from 2018. This increase was due to costs related to the refunding of the 2007 series revenue bonds. Benefits decreased by \$0.7 million primarily due to the fluctuation in net pension expense related to GASB Statements No. 68 and No. 71. All other categories predominately remained steady.

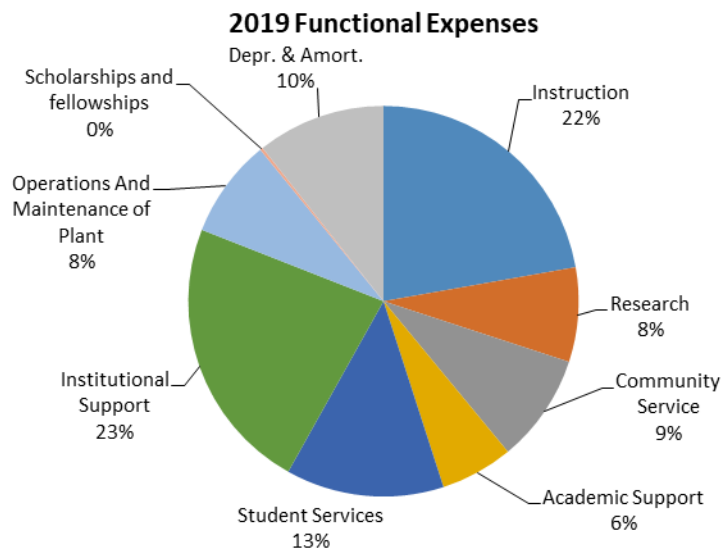
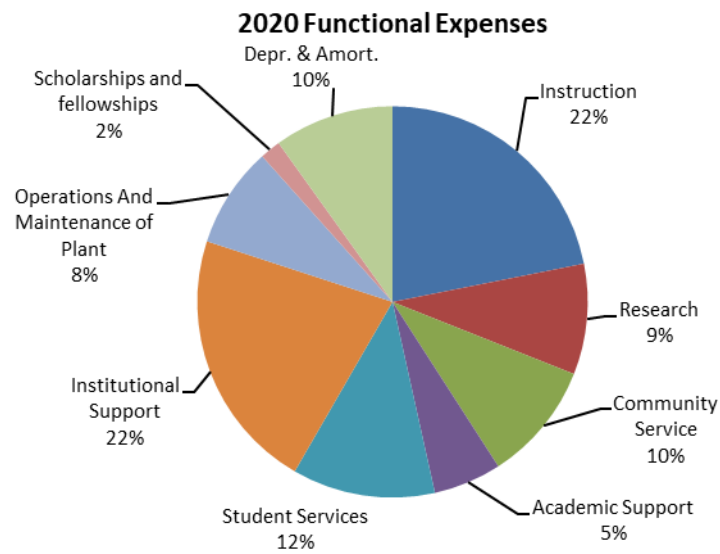
In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2020, 2019, and 2018, is as follows:

#### Expenses by Functional Category

	2020	2019	2018
	(In Millions)		
Instruction	\$ 12.6	\$ 11.4	\$ 12.3
Research	5.2	4.0	3.9
Community service	5.7	4.7	4.9
Academic support	3.2	3.1	2.6
Student services	6.8	6.8	7.1
Institutional support	12.4	11.8	11.2
Operations and maintenance of plant	4.8	4.2	4.4
Scholarships and fellowships	1.0	0.1	0.2
Depreciation and amortization	<u>5.7</u>	<u>5.5</u>	<u>5.4</u>
Total expenses	\$ <u>57.4</u>	\$ <u>51.6</u>	\$ <u>52.0</u>

The University's total operating expenses directly support the primary mission of the University: Instruction, Research, and Community Service. In 2020, the total of these three categories was \$23.5 million or 40.9 percent of the total expenses compared to \$20.1 million or 38.9 percent of total expenses in 2019. Instruction and institutional support are the largest components of expenses by functional category. In fiscal year 2020, instruction expense increased by \$1.2 million while Institutional support increased by \$0.6 compared to fiscal year 2019. The increases were due to pension expense increases related to GASB Statements No. 68 and No. 71. The greatest change by percentage was in scholarships and fellowships. Scholarships increased due to the receipt of CARES Act funding given directly to the students in the amount of \$0.8 million.

The following graphic illustrations present total expenses by function:



## Nonoperating Revenues and Expenses

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2020, 2019, and 2018:

### Nonoperating Revenues and Expenses

	2020	2019	2018
	(In Millions)		
State appropriations	\$ 18.6	\$ 19.9	\$ 19.3
Federal grants and contracts	18.3	14.0	14.6
State grants and contracts	0.3	0.3	0.3
Interest on indebtedness	(0.8)	(1.1)	(1.1)
Investment income	0.7	0.6	0.2
Other	<u>3.1</u>	<u>2.3</u>	<u>1.4</u>
Total nonoperating revenues and expenses	<u>\$ 40.2</u>	<u>\$ 36.0</u>	<u>\$ 34.7</u>

State appropriations is the largest component of the University's nonoperating revenues followed by federal grants and contracts. State appropriations decreased by \$1.3 million in 2020 due to additional withholdings related to the COVID-19 pandemic. The federal grants and contracts increased by \$4.3 million in 2020 due to an increase in federal appropriations of \$2.1 million and CARES Act funding of \$2.1 million received by the University. Other nonoperating revenues increased by \$0.8 million in 2020 primarily due to an increase in gifts/contributions received by the University.

## 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, 2020, 2019, and 2018:

### Cash Flows

	2020	2019	2018
	(In Millions)		
<b>Cash Provided by (Used in)</b>			
Operating activities	\$ (35.1)	\$ (27.9)	\$ (26.6)
Noncapital financing activities	40.0	36.3	34.2
Capital and related financing activities	(22.0)	12.2	(4.1)
Investing activities	<u>5.8</u>	<u>(2.8)</u>	<u>(6.9)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(11.3)	17.8	(3.4)
<b>Cash and Cash Equivalents, Beginning of the Year</b>	<u>26.6</u>	<u>8.8</u>	<u>12.2</u>
<b>Cash and Cash Equivalents, End of the Year</b>	<u>\$ 15.3</u>	<u>\$ 26.6</u>	<u>\$ 8.8</u>

In fiscal year 2020, cash and cash equivalents decreased by \$11.3 million compared to 2019. Approximately \$35.1 million of cash was used for operating activities, offset by \$40.0 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.

The change in operating activities in 2020 was an overall increase in cash used of \$7.2 million. The change in operating activities relates to the overall increase in cash used for expenses, a decrease in cash provided by tuition and fees, a decrease in auxiliary enterprise activities, and an increase in cash provided by insurance proceeds for various claims.

There was an increase in cash received from noncapital financing activities in 2020 of \$3.7 million. This change is a result of an increase in capital grants, new funding from the CARES Act for students and lost revenue, an increase in gifts and contributions, and finally in 2020, the University received the transfer of Endowment Challenge scholarship funding from the former Lincoln University Foundation, Inc.

The greatest fluctuations in cash flow related to capital and related financing and investing activities. The change in capital and related financing of \$34.2 million was primarily due to timing of the 2019 series revenue bonds. The 2019 bonds were issued in 2019 with the proceeds paying off the 2007 bonds in 2020. Investing activities changes were based on the value of investments purchased and those maturing in 2020 compared to 2019.

In fiscal year 2019, cash and cash equivalents increased by \$17.8 million compared to 2018. Approximately \$27.9 million of cash was used for operating activities, offset by \$36.3 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.

The change in operating activities in 2019 was an overall increase in cash used of \$1.3 million. The change in operating activities relates to the overall increase in cash used for expenses, a decrease in cash provided by tuition and fees, a decrease in cash provided by federal grants and contracts, and a slight decrease in auxiliary enterprise activities.

There was an increase in cash received from noncapital financing activities in 2019 of \$2.1 million. The change in noncapital financing activities was affected by an increase in state appropriations for land grant match as well as nonfederal grants and contracts.

The net increase in cash received for capital and related financing activities in 2019 compared to 2018 was \$16.3 million. The change was due to the timing of the refunding of the 2007 series revenue bonds.

Cash used by investing activities in fiscal year 2019 was \$2.8 million compared to \$6.9 million in 2018. This is a decrease of \$4.1 million. By comparison, the University purchased \$5.8 million less in investments, while the sales of investments decreased by \$2.0 million. Interest revenue increased by \$0.3 million in fiscal year 2019 compared to 2018. 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.

## Capital Assets

At June 30, 2020, the University had approximately \$81.5 million invested in capital assets, net of accumulated depreciation of approximately \$117.9 million. At June 30, 2019, the University had approximately \$81.8 million invested in capital assets, net of accumulated depreciation of approximately \$112.5 million.

Depreciation charges for the current year totaled approximately \$5.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, as of June 30, 2020, 2019, and 2018.

### Capital Assets, Net

	2020	2019	2018
	(In Millions)		
Land and land improvements	\$ 7.2	\$ 7.4	\$ 7.8
Buildings	65.2	69.3	73.7
Furniture, fixtures, and equipment	5.0	3.7	3.3
Infrastructure	0.7	0.7	0.6
Library materials	0.1	0.1	0.1
Construction in progress	<u>3.3</u>	<u>0.6</u>	<u>0.9</u>
Total capital assets, net	\$ <u>81.5</u>	\$ <u>81.8</u>	\$ <u>86.4</u>

Major projects that began in fiscal year 2019 that are projected to complete in fiscal year 2021 include the repairs to the President's Residence at 601 Jackson St. due to the tornado that hit Jefferson City, Missouri, in May 2019. This project was significantly delayed due to the COVID-19 pandemic and the availability of materials. The new projected cost is \$3,500,000.

Major projects that began in fiscal year 2020 that are projected to complete in fiscal year 2021 include the reconstruction of the Dickinson Research Center (\$4,300,000) that was destroyed by fire in fiscal year 2015; the construction of new greenhouses in conjunction with the reconstruction of the Dickinson Research Center (\$400,000); and the construction of the new Extension Facility in Sikeston, Missouri, (\$2,100,000).



## **Revenue Bonds**

As of June 30, 2020, the University had approximately \$18.5 million in outstanding revenue bonds compared to \$35.6 million in 2019, a decrease of \$17.1 million. This decrease is due to the timing of the refunding of the 2007 series revenue bonds. This timing anomaly caused the University to receive the proceeds of the bond issuance by the end of fiscal year 2019; however, the repayment of the original 2007 revenue bond debt was not processed until fiscal year 2020.

### **Revenue Bond Debt**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>(In Millions)</b>		
Revenue bonds	\$ <u>18.5</u>	\$ <u>35.6</u>	\$ <u>22.7</u>

## **Student Enrollment**

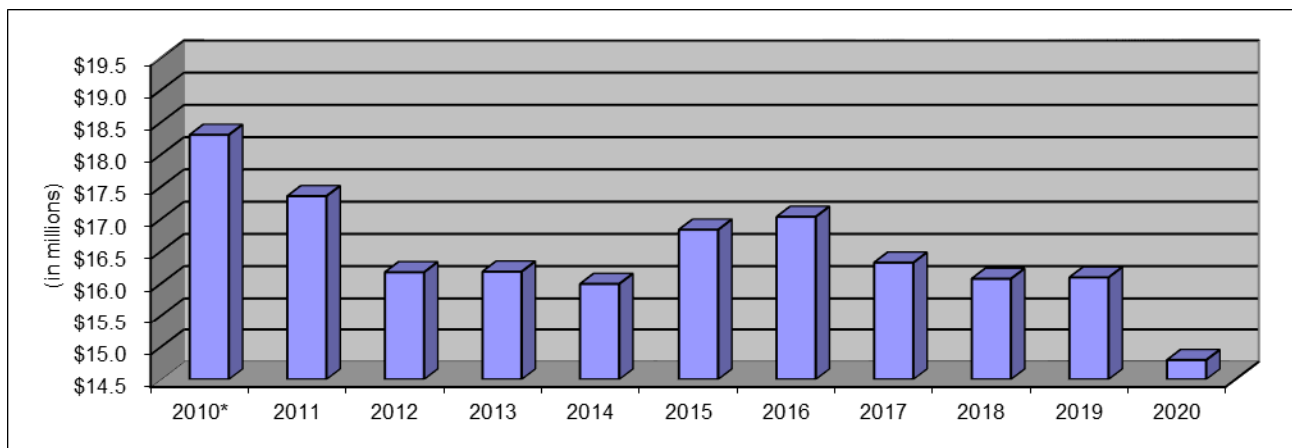
Following are highlights of student demographics for the fall 2019, 2018, and 2017, semesters of fiscal years 2020, 2019, and 2018, respectively.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Undergraduate	2,323	2,377	2,512
Graduate	<u>113</u>	<u>101</u>	<u>107</u>
Total students	<u>2,436</u>	<u>2,478</u>	<u>2,619</u>
Full-time	1,640	1,730	1,844
Part-time	796	748	775
Male	986	1,040	1,117
Female	1,450	1,438	1,502
Credit hours generated	27,524	28,316	30,341
Student full-time equivalent	1,848	1,899	2,035
Resident	860	938	979
Commuter	<u>1,576</u>	<u>1,540</u>	<u>1,640</u>
Total students	<u>2,436</u>	<u>2,478</u>	<u>2,619</u>

	2020	2019	2018
In-state	1,854	1,877	1,949
Out-state	511	532	612
International	<u>71</u>	<u>69</u>	<u>58</u>
Total students	<u>2,436</u>	<u>2,478</u>	<u>2,619</u>
Total number of degrees awarded	362	459	409
Number of students in dual-credit courses	494	418	448
Associate degree programs	5	5	5
Bachelor degree programs	42	42	42
Graduate degree programs	<u>14</u>	<u>14</u>	<u>14</u>
Total degree programs	<u>61</u>	<u>61</u>	<u>61</u>

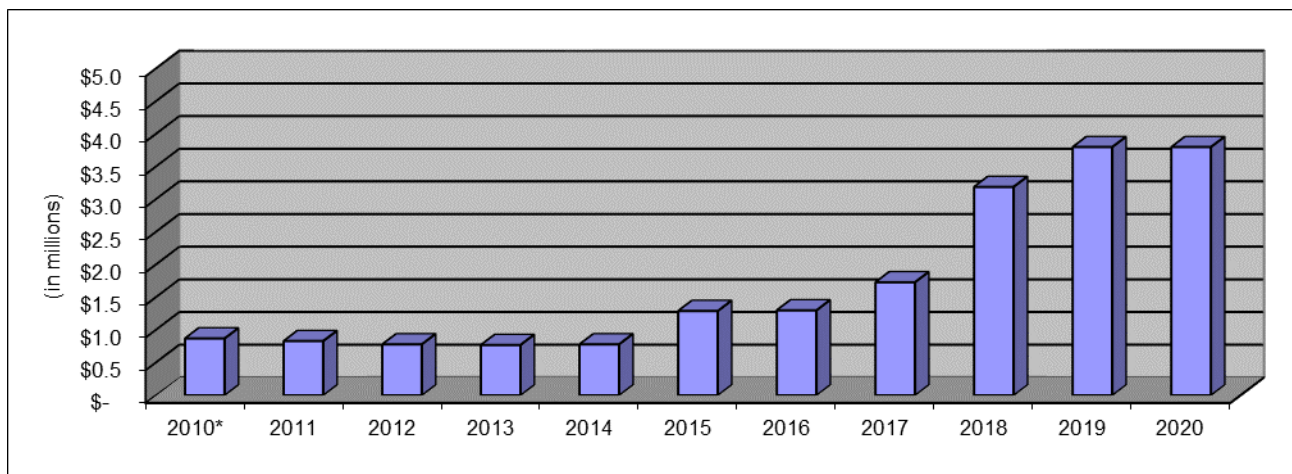
## Trends

### Core State Appropriations by Fiscal Year



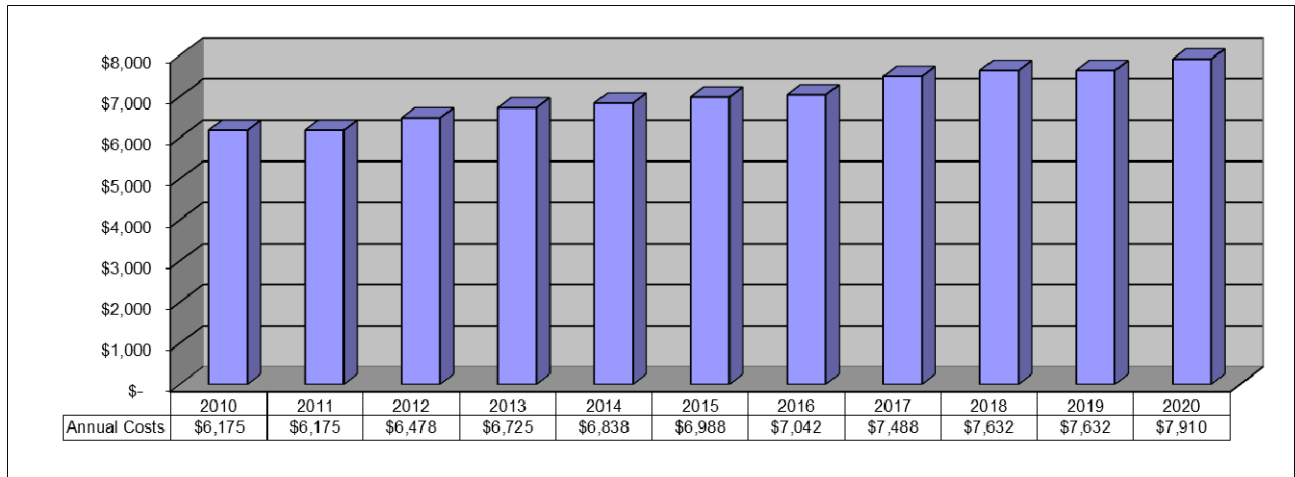
\*Excludes the one-time state appropriations for the Caring for Missourian program.

### Land Grant Match State Appropriations by Fiscal Year

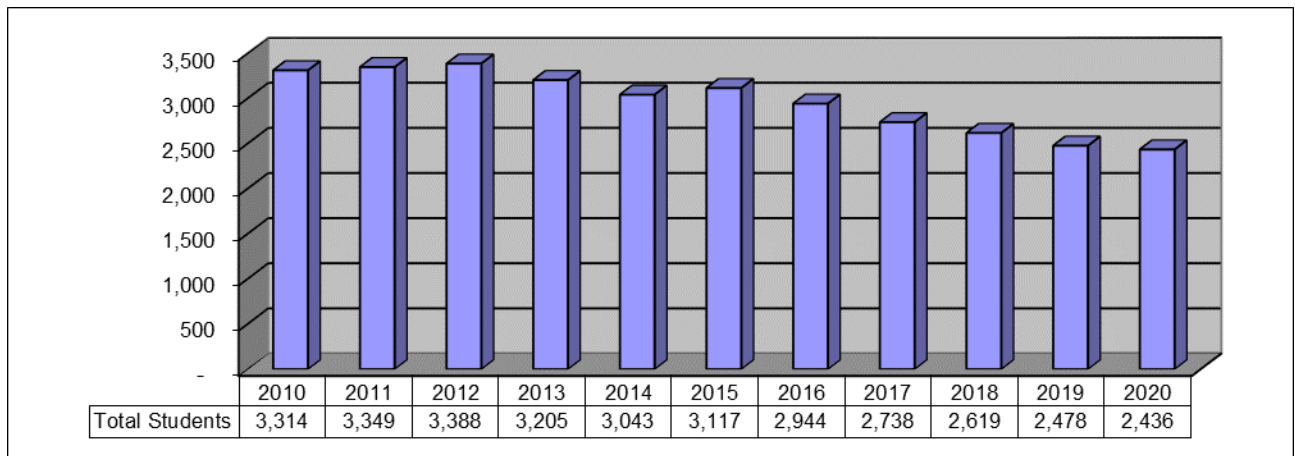


The University received approximately \$7.6 million in federal land grant capacity funding for fiscal year 2020. The land grant capacity funding must be matched on a dollar-for-dollar basis with state resources. As of 2020, the University received \$3.8 million in state appropriations for the land grant mission, leaving a match shortfall of \$3.8 million.

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



### ***Student Enrollment for Fall Semesters by Fiscal Year***



## ***Fiscal Year 2021 Outlook***

### **General Fund Operating Budget**

The Lincoln University Board of Curators approved a \$32.1 million general fund operating budget for fiscal year 2021 in June 2020. The fiscal year 2021 budget was built on an anticipated 20 percent reduction in state appropriations (both core and match funding) and a 25 percent reduction in enrollment due to the COVID-19 pandemic. In June 2020, the University anticipated net state appropriations of \$16.7 million. Due to revised state appropriation budget allocations, the Lincoln University Board of Curators approved a revised general fund operating budget of \$34.1 million. With the revised allocations, the University anticipates net state appropriations of \$18.7 million compared to the initial net allocation for fiscal year 2020 of \$20.8 million. State appropriations remains the largest component of the general operating budget in 2021. The University continues to monitor enrollment and the decrease is projected to be less than the 25 percent predicted.

### **Capital Projects**

Projects slated for completion in fiscal year 2021 include the construction of the new Dickinson Research Center and the new satellite Extension Office in Sikeston, Missouri. Upcoming projects identified for design and/or construction during fiscal year 2021 include construction on the Mitchell Hall rehabilitation project, Pawley Theatre renovation project, and the KJLU Radio Station Relocation project, construction of greenhouses and agricultural buildings on both Carver and Busby Farms and the construction of a new KJLU Radio Tower. Projects are/will be funded by Title III, 1890 facilities funds, local funds, insurance proceeds, and National Park Service grant funding.

### **Other Significant Factors**

The comprehensive evaluation with reaffirmation of accreditation by the Higher Learning Commission (HLC) is set for 2022 – 2023. Lincoln University is reviewed for accreditation based on HLC's Standard Pathway. The University began its internal assurance of compliance process in fall 2019 appointing necessary committees to complete the reaffirmation of accreditation.

The Accreditation Commission for Education in Nursing (ACEN) accredited the Bachelor of Science in Nursing (BSN) program after a site visit in November 2015. The entire nursing program was reviewed for reaccreditation in October 2017 leading to continuing accreditation. The next site visit for the Nursing Program is scheduled for fall of 2025. The nursing program continues to exceed the national average for the National Council Licensure Examination (NCLEX) pass rate.

Lincoln University's Social Work program was accredited by the Council on Social Work Education (CSWE) in 2013. The program is currently undergoing the reaffirmation of continuing accreditation.

The School of Business was accredited by Accreditation Council for Business Schools and Programs (ACBSP) in August 2003. The first reaffirmation of accreditation occurred in August 2013. The next reaffirmation is scheduled for 2023 for the School of Business.

The University is currently reviewing all academic programs and gearing up to pursue programmatic accreditation for education programs.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Net Position**  
**June 30, 2020 and 2019**

**Assets and Deferred Outflows of Resources**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,816,009	\$ 8,988,895
Short-term investments	16,319,771	16,523,126
Accounts receivable, net of allowance; 2020 – \$804,409, 2019 – \$810,917	809,217	890,773
Federal and state grants receivable	5,692,931	4,464,783
Prepaid expenses	4,244	3,710
Promises to give	115,000	-
Other	213,147	79,319
	<hr/>	<hr/>
Total current assets	36,970,319	30,950,606
	<hr/>	<hr/>
<b>Noncurrent Assets</b>		
Restricted cash equivalents	1,524,894	17,651,263
Restricted investments	-	4,764,849
Short-term endowment investments	487,390	319,993
Long-term endowment investments	1,009,685	1,321,214
Bond insurance costs	182,351	562,746
Capital assets, net	81,472,285	81,830,078
	<hr/>	<hr/>
Total noncurrent assets	84,676,605	106,450,143
	<hr/>	<hr/>
Total assets	121,646,924	137,400,749
	<hr/>	<hr/>
<b>Deferred Outflows of Resources</b>		
Loss on refunding of bonds	403,299	135,441
Deferred outflows of resources related to pension	8,730,000	11,487,481
	<hr/>	<hr/>
Total deferred outflows of resources	9,133,299	11,622,922
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 130,780,223	\$ 149,023,671
	<hr/>	<hr/>

## Liabilities, Deferred Inflows of Resources, and Net Position

	2020	2019
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,660,212	\$ 2,358,893
Accrued compensated absences	549,565	610,616
Unearned revenue	2,815,865	4,488,962
Current portion of long-term debt	1,072,002	17,288,811
Total current liabilities	<u>7,097,644</u>	<u>24,747,282</u>
<b>Noncurrent Liabilities</b>		
Deposits held in custody for others	10,645	13,870
Accrued compensated absences	728,493	541,490
Total other postemployment benefit liability	558,287	624,695
Long-term debt	20,311,290	21,526,624
Net pension liability	45,197,670	41,490,650
Total noncurrent liabilities	<u>66,806,385</u>	<u>64,197,329</u>
Total liabilities	<u>73,904,029</u>	<u>88,944,611</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pension	<u>1,837,898</u>	<u>3,432,751</u>
<b>Net Position</b>		
Net investment in capital assets	66,198,643	64,357,234
Restricted nonexpendable for endowment	56,814	56,814
Restricted expendable for		
Research	331,198	286,018
Debt service	77,993	(409,815)
Term endowment	2,275,939	1,380,729
Other	1,971,983	887,677
Unrestricted (deficit)	<u>(15,874,274)</u>	<u>(9,912,348)</u>
Total net position	<u>55,038,296</u>	<u>56,646,309</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 130,780,223</u>	<u>\$ 149,023,671</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>		
Tuition and fees (net of scholarship allowances of \$8,036,351 – 2020 and \$8,978,890 – 2019 and bad debt expense of \$428,058 – 2020 and \$300,388 – 2019)	\$ 5,388,829	\$ 5,806,165
Federal grants and contracts	183,279	197,314
Sales and services of educational activities	22,744	29,885
Auxiliary enterprises (net of scholarship allowances of \$256,818 – 2020 and \$313,843 – 2019 and bad debt expense of \$107,014 – 2020 and \$75,033 – 2019)	5,041,597	6,646,197
Other	3,303,430	278,785
Total operating revenues	<u>13,939,879</u>	<u>12,958,346</u>
<b>Operating Expenses</b>		
Compensation and benefits	34,438,381	30,888,181
Contractual services	10,124,450	8,774,403
Travel	846,329	1,189,739
Supplies and materials	1,647,137	1,285,199
Scholarships and fellowships	983,667	160,265
Depreciation and amortization	5,689,257	5,479,793
Communications	74,269	65,894
Utilities	1,794,957	1,897,252
Other	1,771,921	1,789,785
Total operating expenses	<u>57,370,368</u>	<u>51,530,511</u>
<b>Operating Loss</b>	<u>(43,430,489)</u>	<u>(38,572,165)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	18,604,326	19,856,087
Federal grants and contracts	18,287,540	14,083,841
Recovery of administrative costs	7,710	8,200
State and local grants and contracts	282,758	301,253
Contributions	1,622,858	507,598
Student fees for capital projects	394,978	593,037
Loss on disposal of capital assets	(34,947)	(43,897)
Investment income	687,790	609,001
Interest on capital asset-related debt	(836,233)	(1,064,201)
Other nonoperating revenues	1,198,942	1,247,338
Net nonoperating revenues (expenses)	<u>40,215,722</u>	<u>36,098,257</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	\$ (3,214,767)	\$ (2,473,908)
<b>Loss on President's Residence Tornado Damage</b>	-	(1,036,582)
<b>Capital Grants and Gifts</b>	<u>1,606,754</u>	<u>14,368</u>
<b>Decrease in Net Position</b>	(1,608,013)	(3,496,122)
<b>Net Position, Beginning of Year</b>	<u>56,646,309</u>	<u>60,142,431</u>
<b>Net Position, End of Year</b>	<u><u>\$ 55,038,296</u></u>	<u><u>\$ 56,646,309</u></u>



**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 4,998,722	\$ 5,751,767
Grants and contracts	183,279	197,314
Payments to suppliers	(19,006,821)	(13,551,434)
Payments to employees	(29,590,454)	(27,664,223)
Sales and services of auxiliary enterprises	5,088,084	6,915,273
Sales and services of educational activities	22,744	29,885
Other receipts and deposits	3,166,378	436,708
Net cash used in operating activities	<u>(35,138,068)</u>	<u>(27,884,710)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	18,604,326	19,856,087
Gifts and grants for other than capital purposes	20,198,609	15,221,496
Other receipts	1,206,652	1,233,652
Net cash provided by noncapital financing activities	<u>40,009,587</u>	<u>36,311,235</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grants and gifts	557,688	82,110
Student fees for capital projects	394,978	593,037
Purchase of capital assets	(4,747,801)	(2,065,178)
Proceeds from capital debt	-	16,421,103
Principal paid on capital debt	(17,288,811)	(1,752,737)
Capital asset disposals and damages	-	(21,087)
Interest paid on capital debt	(886,954)	(1,019,504)
Net cash provided by (used in) capital and related financing activities	<u>(21,970,900)</u>	<u>12,237,744</u>
<b>Cash Flows from Investing Activities</b>		
Investment income	687,790	609,001
Proceeds from sales and maturities of investments	27,727,117	22,703,911
Purchases of investments	(22,614,781)	(26,136,403)
Net cash provided by (used in) investing activities	<u>5,800,126</u>	<u>(2,823,491)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(11,299,255)	17,840,778
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>26,640,158</u>	<u>8,799,380</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 15,340,903</u>	<u>\$ 26,640,158</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Cash and cash equivalents	\$ 13,816,009	\$ 8,988,895
Restricted cash equivalents	<u>1,524,894</u>	<u>17,651,263</u>
Total cash and cash equivalents	<u><u>\$ 15,340,903</u></u>	<u><u>\$ 26,640,158</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (43,430,489)	\$ (38,572,165)
Depreciation and amortization	5,689,257	5,479,793
Changes in operating assets, liabilities and deferred outflows/inflows		
Receivables, net	(351,805)	536,629
Prepaid expenses, bond insurance costs, and other assets	(532)	3,251
Deferred outflows of resources related to pension	2,757,481	2,585,462
Accounts payable and accrued liabilities	(1,970,466)	1,500,364
Deposits held in custody for others	(3,225)	(32,125)
Accrued compensated absences	125,952	(27,610)
Total other postemployment benefit liability	(66,408)	(167,409)
Net pension liability	3,707,020	(1,134,008)
Deferred inflows of resources related to pension	<u>(1,594,853)</u>	<u>1,943,108</u>
Net cash used in operating activities	<u><u>\$ (35,138,068)</u></u>	<u><u>\$ (27,884,710)</u></u>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for capital asset purchases	\$ 616,228	\$ 8,342

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**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, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary 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, or voluntary nonexchange transactions. Government-mandated or voluntary 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, liabilities, and deferred inflows and outflows of resources 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, 2020 and 2019, cash equivalents consisted of money market treasury funds held with brokers.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

***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 Insurance Costs***

Bond insurance costs incurred on the revenue bond issues have been capitalized and are being amortized over the life of the bonds using the straight-line method. Total amortization was \$10,727 and \$20,537, respectively, for the years ended June 30, 2020 and 2019.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition 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

***Capital Asset Impairment***

The University evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

An impairment loss of \$1,036,582 was recognized for the year ended June 30, 2019, due to damage to the president's residence sustained in the May 2019 tornado. No impairment loss was recognized during the year ended June 30, 2020.

The loss is included in loss on president's residence tornado damage in the accompanying statements of revenues, expenses, and changes in net position. The loss was determined based on deflated depreciated replacement cost approach.

***Deferred Outflows of Resources***

The University reports the consumption of net position that relates to future reporting periods as deferred outflows of resources in a separate section of its statements of net position.

***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.

***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.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

***Cost-Sharing Defined Benefit Pension Plan***

As a component unit of the State of Missouri, the University participates in the Missouri State Employees' Plan (MSEP), a cost-sharing multiple-employer defined benefit pension plan as defined by GASB 68. MSEP is administered by the Missouri State Employee's Retirement System (MOSERS), also a component unit of the State of Missouri. In accordance with the provision of GASB 68, the University accounts for and reports its participation in the single-employer plan as if it was a cost-sharing employer. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of MOSERS and additions to/deductions from MOSERS' fiduciary net position has been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Defined Benefit Other Postemployment Benefit Plan***

The University has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance to certain retired professor emeriti. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

***Deferred Inflows of Resources***

The University reports the acquisition of net position that relates to future reporting periods as deferred inflows of resources in a separate section of its statements of net position.

***Net Position***

Net position of the University is classified in four components on its statements of net position.

- Net investment in capital assets consists 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.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

- 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 net position.

***Classification of Revenues***

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

Operating revenues include activities that have the characteristics of exchange transactions, such as

- (1) student tuition and fees, net of scholarship allowances
- (2) sales and services of auxiliary enterprises
- (3) interest on student loans

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as

- (1) gifts and contributions
- (2) 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*
- (3) GASB No. 34, such as state appropriations and investment income

***Tuition and Fees Revenue***

Tuition and fees revenue is recognized in the terms to which it relates. The summer term is allocated by number of days falling within each fiscal year.

***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.

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***Tuition Discount Programs***

Student tuition and fee revenues are reduced by tuition discounts awarded to qualifying students. Currently the University offers tuition discounts for participants in the Neighboring States Program and Midwest Student Exchange Program where in-state tuition rates are granted to out-of-state students. The University also offers a graduate tuition reduction to University graduates where undergraduate rates are charged for the first nine graduate hours.

***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.

***Revisions***

An immaterial revision has been made to the 2019 financial statements to correct the classification of \$2,554,201 of University net position which was previously classified as restricted expendable for other to unrestricted. The revision did not have a significant impact on the financial statements of the University and did not change the University's total net position as of June 30, 2019 or its decrease in net position for the year then ended.

**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, 2020 and 2019, the University's bank balances were \$14,418,783 and \$8,592,469, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2020 and 2019.



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**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.

At June 30, 2020 and 2019, the University had the following investments and maturities:

Type	Fair Value	June 30, 2020			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 2,976,341	\$ 1,966,655	\$ 1,009,686	\$ -	\$ -
U.S. Treasury obligations	5,294,265	5,294,265	-	-	-
Money market treasury funds	1,463,090	1,463,090	-	-	-
Government-sponsored enterprises obligations	9,546,240	9,546,240	-	-	-
	<u>\$ 19,279,936</u>	<u>\$ 18,270,250</u>	<u>\$ 1,009,686</u>	<u>\$ -</u>	<u>\$ -</u>
Type	Fair Value	June 30, 2019			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 2,387,431	\$ 319,993	\$ 2,067,438	\$ -	\$ -
U.S. Treasury obligations	5,557,153	5,557,153	-	-	-
Money market treasury funds	17,589,968	17,589,968	-	-	-
Government-sponsored enterprises obligations	14,984,598	10,965,972	4,018,626	-	-
	<u>\$ 40,519,150</u>	<u>\$ 34,433,086</u>	<u>\$ 6,086,064</u>	<u>\$ -</u>	<u>\$ -</u>

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.

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**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020 and 2019, 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.

**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, 2020 and 2019, 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, 2020 and 2019, the University’s investments in government-sponsored enterprises obligations of the following entities constituted the following percentages of total investments:

	<b>2020</b>	<b>2019</b>
Federal National Mortgage Association (FNMA)	0%	10%
Federal Home Loan Mortgage Corporation (FHLMC)	5%	10%
Federal Home Loan Bank (FHLB)	44%	15%

**Summary of Carrying Values**

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

	<b>2020</b>	<b>2019</b>
Carrying value		
Deposits	\$ 13,877,813	\$ 9,050,190
Investments	19,279,936	40,519,150
	<u>\$ 33,157,749</u>	<u>\$ 49,569,340</u>

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

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 13,816,009	\$ 8,988,895
Short-term investments	16,319,771	16,523,126
Restricted cash equivalents	1,524,894	17,651,263
Restricted investments	-	4,764,849
Short-term endowment investments	487,390	319,993
Long-term endowment investments	1,009,685	1,321,214
	<u>\$ 33,157,749</u>	<u>\$ 49,569,340</u>

***Investment Income***

Investment income for the years ended June 30, 2020 and 2019, consisted of:

	<b>2020</b>	<b>2019</b>
Interest and dividend income	\$ 482,251	\$ 359,557
Net realized and unrealized losses on investments	205,539	249,444
	<u>\$ 687,790</u>	<u>\$ 609,001</u>

**Note 3: Endowment Funds**

The University's endowment funds are substantially composed of term endowment funds received from the U.S. Department of Education Title III program and state matching funds of \$1,104,000. The grant provisions require the University to maintain the endowment corpus for 20 years. After the termination of the grant period, the University may use the endowment fund corpus plus any endowment fund income for any educational purpose. Endowment fund income is defined as the total value of the endowment fund established minus the endowment fund corpus. Each year the University is allowed to spend no more than 50 percent of the total aggregate endowment fund income related to the grant award. During the years ended June 30, 2020 and 2019, \$100,000 and \$0, respectively, was transferred out of the endowment fund to the operating fund.

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**Note 4: Capital Assets**

Capital assets activity for the years ended June 30, 2020 and 2019, were:

	<b>2020</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 3,756,167	\$ 115,500	\$ -	\$ -	\$ 3,871,667
Land improvements	6,974,550	58,127	-	-	7,032,677
Buildings and improvements	146,901,305	148,048	203,938	-	146,845,415
Infrastructure	4,960,686	111,588	-	-	5,072,274
Furniture, fixtures, and equipment	29,017,146	2,365,431	353,037	-	31,029,540
Library materials	2,162,986	2,808	-	-	2,165,794
Construction in progress	596,714	2,725,108	-	-	3,321,822
	<u>194,369,554</u>	<u>5,526,610</u>	<u>556,975</u>	<u>-</u>	<u>199,339,189</u>
Less accumulated depreciation					
Land improvements	3,306,978	347,443	-	-	3,654,421
Buildings and improvements	77,559,199	4,113,929	17,552	-	81,655,576
Infrastructure	4,247,946	82,947	-	-	4,330,893
Furniture, fixtures, and equipment	25,270,791	1,130,819	333,550	-	26,068,060
Library materials	2,154,562	3,392	-	-	2,157,954
	<u>112,539,476</u>	<u>5,678,530</u>	<u>351,102</u>	<u>-</u>	<u>117,866,904</u>
Net capital assets	<u>\$ 81,830,078</u>	<u>\$ (151,920)</u>	<u>\$ 205,873</u>	<u>\$ -</u>	<u>\$ 81,472,285</u>

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	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 3,756,167	\$ -	\$ -	\$ -	\$ 3,756,167
Land improvements	6,974,550	-	-	-	6,974,550
Buildings and improvements	147,756,625	382,041	1,565,383	328,022	146,901,305
Infrastructure	4,849,942	110,744	-	-	4,960,686
Furniture, fixtures, and equipment	28,839,207	1,428,319	1,250,380	-	29,017,146
Library materials	2,157,392	5,594	-	-	2,162,986
Construction in progress	897,818	26,918	-	(328,022)	596,714
	<u>195,231,701</u>	<u>1,953,616</u>	<u>2,815,763</u>	<u>-</u>	<u>194,369,554</u>
Less accumulated depreciation					
Land improvements	2,957,950	349,028	-	-	3,306,978
Buildings and improvements	74,041,726	4,109,522	592,049	-	77,559,199
Infrastructure	4,176,081	71,865	-	-	4,247,946
Furniture, fixtures, and equipment	25,528,429	928,569	1,186,207	-	25,270,791
Library materials	2,154,289	273	-	-	2,154,562
	<u>108,858,475</u>	<u>5,459,257</u>	<u>1,778,256</u>	<u>-</u>	<u>112,539,476</u>
Net capital assets	<u>\$ 86,373,226</u>	<u>\$ (3,505,641)</u>	<u>\$ 1,037,507</u>	<u>\$ -</u>	<u>\$ 81,830,078</u>

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**Note 5: Noncurrent Liabilities**

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2020 and 2019:

	<b>2020</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Revenue bonds payable					
Series 2007	\$ 16,065,000	\$ -	\$ 16,065,000	\$ -	\$ -
Series 2015A	989,842	-	765,292	224,550	224,550
Series 2015B	2,091,240	-	28,421	2,062,819	411,600
Series 2017	1,972,377	-	245,180	1,727,197	247,217
Series 2019	14,515,000	-	-	14,515,000	-
Loan payable – DNR					
Energize MO	1,056,087	-	184,918	871,169	188,635
Reoffering premium	2,125,889	-	143,332	1,982,557	-
Total long-term debt	<u>38,815,435</u>	<u>-</u>	<u>17,432,143</u>	<u>21,383,292</u>	<u>1,072,002</u>
Other noncurrent liabilities					
Accrued compensated absences	1,152,106	676,785	550,833	1,278,058	549,565
Deposits held in custody for others	13,870	-	3,225	10,645	-
Total other postemployment benefits liability	624,695	34,226	100,634	558,287	-
Net pension liability	<u>41,490,650</u>	<u>6,644,455</u>	<u>2,937,435</u>	<u>45,197,670</u>	<u>-</u>
Total other noncurrent liabilities	<u>43,281,321</u>	<u>7,355,466</u>	<u>3,592,127</u>	<u>47,044,660</u>	<u>549,565</u>
Total noncurrent liabilities	<u>\$ 82,096,756</u>	<u>\$ 7,355,466</u>	<u>\$ 21,024,270</u>	<u>\$ 68,427,952</u>	<u>\$ 1,621,567</u>

# Lincoln University

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### Notes to Financial Statements June 30, 2020 and 2019

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2007	\$ 16,615,000	\$ -	\$ 550,000	\$ 16,065,000	\$ 16,065,000
Series 2015A	1,723,035	-	733,193	989,842	765,292
Series 2015B	2,136,347	-	45,107	2,091,240	28,421
Series 2017	2,215,537	-	243,160	1,972,377	245,180
Series 2019	-	14,515,000	-	14,515,000	-
Loan payable – DNR					
Energize MO	1,237,362	-	181,275	1,056,087	184,918
Reoffering premium	28,195	2,099,178	1,484	2,125,889	-
Total long-term debt	<u>23,955,476</u>	<u>16,614,178</u>	<u>1,754,219</u>	<u>38,815,435</u>	<u>17,288,811</u>
Other noncurrent liabilities					
Accrued compensated absences	1,179,716	579,655	607,265	1,152,106	610,616
Deposits held in custody for others	45,995	700	32,825	13,870	-
Total other postemployment benefits liability	792,104	25,190	192,599	624,695	-
Net pension liability	<u>42,624,658</u>	<u>1,677,878</u>	<u>2,811,886</u>	<u>41,490,650</u>	<u>-</u>
Total other noncurrent liabilities	<u>44,642,473</u>	<u>2,283,423</u>	<u>3,644,575</u>	<u>43,281,321</u>	<u>610,616</u>
Total noncurrent liabilities	<u>\$ 68,597,949</u>	<u>\$ 18,897,601</u>	<u>\$ 5,398,794</u>	<u>\$ 82,096,756</u>	<u>\$ 17,899,427</u>

#### **Revenue Bonds Payable**

On July 1, 2007, the University issued \$21,000,000 of Auxiliary System Subordinate Revenue Bonds, Series 2007. The University had the option for bonds maturing on or after June 1, 2018, to call redemption prior to maturity on or after June 1, 2017, at 100 percent of principal plus accrued interest to the redemption date which occurred on May 31, 2019.

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On November 20, 2015, the University issued \$3,610,582 of Auxiliary System Refunding Revenue Bonds, Series 2015A and \$2,513,530 of Auxiliary System Revenue Bonds, Series 2015B. The Series 2015A and Series 2015B bonds bear interest, payable semiannually, at rates of 1.94 percent and 2.56 percent, respectively, beginning June 1, 2016. Principal maturities begin June 1, 2016, and continue until 2025. Proceeds from the issuance of the Series 2015A bonds were used to pay the costs of refunding the Auxiliary System Revenue Bonds, Series 2005, and to pay certain costs of issuance related to the Series 2015A bond issue. Proceeds from the issuance of the Series 2015B bonds were used to provide funds to pay costs associated with the renovation of Martin Hall and to pay certain costs of issuance related to the Series 2015B bond issue. The Martin Hall renovation costs are paid by the University and then the University is reimbursed by disbursement of the bond proceeds.

On February 15, 2017, the University issued \$2,500,000 of Athletic System Revenue Bonds, Series 2017. The Series 2017 bonds bear interest, payable quarterly, at a rate of 3.25 percent, beginning June 1, 2017. Principal maturities begin March 1, 2018, and continue until 2027. Proceeds from the issuance of the Series 2017 bonds were used to provide funds to pay costs associated with the improvement of certain athletic facilities and to pay certain costs of issuance related to the Series 2017 bond issue. The athletic facilities include Dwight T. Reed Stadium and Annex and the basement level of the LINC Recreation and Wellness Center.

On June 11, 2019, the University issued \$14,515,000 of Auxiliary System Refunding Revenue Bonds, Series 2019. The Series 2019 bonds bear interest, payable semiannually, at a rate of 5.00 percent, beginning December 1, 2019. Principal maturities begin June 1, 2022 and continue until 2037. Proceeds from the issuance of the Series 2019 bonds were used to pay the costs of refunding the Auxiliary System Subordinate Revenue Bonds, Series 2007.

The revenue bond issues, payable from and secured by net revenues of the Auxiliary Activity Fund, require the University to establish and fund Debt Service Reserve Funds and maintain a Debt Service Coverage Ratio of 1.15.

The revenue bond issues, payable from and secured by net revenues of the Athletic Facilities, require the University to establish and fund a Debt Service Reserve Fund and maintain a Debt Service Coverage Ratio of 1.00.



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The debt service requirements as of June 30, 2020, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 1,682,108	\$ 883,367	\$ 798,741
2022	1,741,440	966,167	775,273
2023	1,734,825	993,603	741,222
2024	1,727,151	1,021,065	706,086
2025	1,724,450	1,054,954	669,496
2026 – 2030	7,713,141	5,045,410	2,667,731
2031 – 2035	7,225,500	5,840,000	1,385,500
2036 – 2037	2,889,600	2,725,000	164,600
	<u>\$ 26,438,215</u>	<u>\$ 18,529,566</u>	<u>\$ 7,908,649</u>

***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 bearing interest at 2 percent. The proceeds of the loan were used to implement the Energy Conservation Measures as designated by the MDNR and payments began in June 2015. The loan requires semiannual payments equal to one-half of the annual energy savings until paid in full. During 2015, the final loan amount was reduced to \$1,857,912 due to the return of excess proceeds in the amount of \$5,088. The semiannual principal and interest payments, in the amount of \$102,560, are due June 1 and November 1.

The debt service requirements of the loan as of June 30, 2020, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 205,120	\$ 188,635	\$ 16,485
2022	205,120	192,427	12,693
2023	205,120	196,294	8,826
2024	205,120	200,240	4,880
2025	94,509	93,573	936
	<u>\$ 914,989</u>	<u>\$ 871,169</u>	<u>\$ 43,820</u>

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**Note 6: Pension Plans**

***MOSERS***

***Plan Description***

The Missouri State Employees' Plan (MSEP) is a cost-sharing multiple-employer, defined benefit public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000, which are administered by the Missouri State Employees' Retirement System (MOSERS or the "System") in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the System are vested the powers and duties specified in Sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.312 to 104.1215, RSMo. Responsibility for the operation and administration of the System is vested in the 11-member MOSERS Board of Trustees as defined by state law. Due to the nature of MOSERS' reliance on funding from the State of Missouri and other state government agencies and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the State of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. The MSEP provides retirement, survivor, and disability benefits. MOSERS issues an annual Comprehensive Annual Financial Reporting (CAFR), a publicly available financial report that can be obtained at [www.mosers.org](http://www.mosers.org).

***Benefits Provided***

MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific funding structure in which the employee participates, which is based on the employee's hire date. Information on the three funding structures administered by MOSERS (MSEP, MSEP 2000, and MSEP 2011) and how eligibility and the benefit amount is determined for each funding structure may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

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***Contributions***

Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. No employee contribution is required for the MSEP and MSEP 2000 plans. Employees in the MSEP 2011 plan are required to contribute 4.00 percent of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2020, was 21.77 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan years ended June 30, 2019 and 2018, was 20.21 percent and 19.45 percent, respectively, which are the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$3,238,148 and \$2,937,434 for the years ended June 30, 2020 and 2019, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2020 and 2019, the University reported a liability of \$45,197,670 and \$41,490,650, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2019 and 2018. At June 30, 2019, the University's proportion was 0.7482 percent, which was an increase of 0.0044 percent from its proportion measured as of June 30, 2018. At June 30, 2018, the University's proportion was 0.7438 percent, which was a decrease of 0.0748 percent from its proportion measured as of June 30, 2017.

There were no changes in benefit terms during the MOSERS plan years ended June 30, 2019 and 2018, that affected the measurement of total pension liability.

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For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$8,107,797 and \$6,331,996, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 38,535	\$ 525,400
Changes of assumptions	1,805,969	-
Net difference between projected and actual earning on pension plan investments	3,509,154	-
Changes in University proportion and differences between the University's contributions and the University proportionate share of contributions	138,194	1,312,498
University's contributions subsequent to the measurement date	<u>3,238,148</u>	<u>-</u>
Total	<u><u>\$ 8,730,000</u></u>	<u><u>\$ 1,837,898</u></u>
	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 94,426	\$ 982,297
Changes of assumptions	3,575,799	-
Net difference between projected and actual earning on pension plan investments	4,879,822	-
Changes in University proportion and differences between the University's contributions and the University proportionate share of contributions	-	2,450,454
University's contributions subsequent to the measurement date	<u>2,937,434</u>	<u>-</u>
Total	<u><u>\$ 11,487,481</u></u>	<u><u>\$ 3,432,751</u></u>

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At June 30, 2020 and 2019, the University reported \$3,238,148 and \$2,937,434, respectively, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount Recognized</u>
2021	\$ 1,888,000
2022	939,376
2023	447,304
2024	<u>379,274</u>
	<u><u>\$ 3,653,954</u></u>

***Actuarial Assumptions***

The total pension liability in the June 30, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2019: 2.35%, 2018: 2.50%
Salary increases	2019: 2.85% to 8.35% including inflation 2018: 3.00% to 8.50% including inflation
Wage inflation	2019: 2.35%, 2018: 2.50%
Investment rate of return	2019: 7.10%, compounded annually, net after investment expenses and including inflation 2018: 7.25%, compounded annually, net after investment expenses and including inflation

The actuarial assumptions used in the June 30, 2019 and 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015.

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Mortality rates used in the June 30, 2019 and 2018, actuarial valuations for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120 percent. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2019 and 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Policy Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>	<b>Weighted Average Long-Term Expected Real Rate of Return</b>
Opportunistic global equity	38.00%	8.30%	3.10%
Nominal bonds	44.00%	3.30%	1.50%
Commodities	20.00%	7.80%	1.60%
Inflation-linked bonds	39.00%	2.40%	0.90%
Alternative beta	31.00%	6.60%	2.00%
Cash and cash equivalents	(72.00%)	-	(0.70%)
	<u>100.00%</u>		<u>8.4%</u>

\*Represent best estimates of geometric rates of return for each major asset class included.

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***Discount Rate***

The discount rate used to measure the total pension liability was 7.10 percent and 7.25 percent at June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
University's proportionate share of the net pension liability	\$ 57,018,870	\$ 45,197,670	\$ 35,258,696

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial report.

***Payable to the Pension Plan***

At June 30, 2020 and 2019, the University reported a payable of \$10,364 and \$10,461, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2020 and 2019, respectively.

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***CURP***

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an “education employee” participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-CREF group of companies is the third-party administrator for the CURP and manages the investment options under the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. By law, the CURP contribution rate is equal to 1 percent less than the normal cost contribution rate of the Missouri State Employees’ Plan 2000 (MSEP 2000). 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 6.00 percent of annual covered payroll for 2020 and 2019. The University’s contributions to the plan for the years ended June 30, 2020 and 2019, were \$267,639 and \$203,403 respectively, which equaled the required contributions for each year.

**Note 7: Other Postemployment Benefit 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 certain retirees (the “OPEB Plan”). The plan is a single-employer defined benefit OPEB plan. 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 OPEB Plan’s assets are not accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The plan is operated as a fully insured arrangement. For retiree plan participants that have obtained professor emeritus status and retired July 1, 2008, and prior, the University pays the full amount of the health and prescription drug insurance premium for the lifetime of the retiree. To be eligible for professor emeritus status an employee must have 1) held the rank of full professor, have served the University for at least 20 years and have made a major, positive impact on the growth, development, and/or image of the University; or 2) held the rank of associate professor, have served the University for at least 30 years and have made a major, positive impact on the growth, development, and/or image of the University.



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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.

***Benefits Provided***

The OPEB Plan provides medical and prescription drug premium benefits to professor emeritus retirees. Benefits are provided through a third-party insurer. Prescription drug premiums ranged from \$74.70 to \$91.90 per month and from \$72.10 to \$84.30 per month for the years ended June 30, 2020 and 2019, respectively. Medicare Supplement premiums, which are Issue-Age rated, ranged from \$155.18 to \$287.85 per month and from \$147.86 to \$272.88 per month for the years ended June 30, 2020 and 2019, respectively. In addition, certain retirees receive \$5,000 of life insurance coverage through the University's group plan. The University's group rate is 40 cents per thousand per month for the years ended June 30, 2020 and 2019. The actuarial benefit is valued as the amount of insurance times the probability of death and the assumed age-banded rate times the probability of survival for the years ended June 30, 2020 and 2019, respectively.

The employees covered by the benefit terms at June 30, 2020 and 2019, are:

	<b>2020</b>	<b>2019</b>
Professor emeritus retirees receiving health and prescription drug coverage	14	15
Retirees receiving group life insurance coverage	1	1
	<u>15</u>	<u>16</u>

***Total OPEB Liability***

The University's total OPEB liability of \$558,287 and \$624,695 was measured as of June 30, 2020 and 2019, respectively, for the years then ended, and was determined by actuarial valuations as of those dates.

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The total OPEB liability in the June 30, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions:

Discount rate	2020: 2.60%, 2019: 3.00%
Health care cost trend rates	2020: 4.50% per year for Medicare Supplement coverage; 5.50% per year for prescription drug coverage 2019: 4.50% per year for Medicare Supplement coverage; 8.00% for 2019, decrease 0.50% per year to an ultimate rate of 5% for 2025 and later years for prescription drug coverage

The discount rate used for the plan was the 20-year, tax-exempt municipal bond rate as there are no assets in the plan. The rate was determined by taking the average of the published yields from the S&P Municipal Bond 20 Year High Grade and the Fidelity GO AA-20 Years indexes.

Mortality rates used in the June 30, 2020, valuation were based on the Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables with Scale MP-2019 Full Generational Improvement. Mortality rates used in the June 30, 2019, valuation were based on the RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2018 Full Generational Improvement.

The actuarial assumptions used in the June 30, 2020 and 2019, valuations were based on the ongoing actuarial analysis.

***Changes in Total OPEB Liability***

Changes in total OPEB liability are:

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 624,695	\$ 792,104
Interest	17,911	25,190
Changes in assumptions and inputs	(45,284)	(91,004)
Differences between actual and expected experience	16,315	(44,081)
Benefit payments	(55,350)	(57,514)
Net changes	(66,408)	(167,409)
Balance, end of year	\$ 558,287	\$ 624,695

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***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates***

The total OPEB liability of the University has been calculated using a discount rate of 2.60 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
University's total OPEB liability	\$ 601,891	\$ 558,287	\$ 519,989

The total OPEB liability of the University has been calculated using health care cost trend rates of 4.50 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	<b>1% Decrease</b>	<b>Current Health Care Cost Trend Rates</b>	<b>1% Increase</b>
University's total OPEB liability	\$ 523,065	\$ 558,287	\$ 597,474

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$(11,058) and \$(109,985), respectively. At June 30, 2020 and 2019, the University did not report deferred outflows of resources or deferred inflows of resources related to OPEB, as the average expected service life of current retirees is zero.

**Note 8: Commitments and Contingencies**

***Litigation with Lincoln University Foundation, Inc.***

On May 6, 2019, the 62nd & 65th Regiments Legacy Foundation Inc. f/k/a Lincoln University Foundation, Inc., (the "Foundation") filed a suit against the University in the Circuit Court of Cole County, Missouri. The Foundation is a Missouri nonprofit corporation that was formed in the 1970's for the purpose of conducting certain fundraising activities for the benefit of the University. The Foundation's fundraising activities primarily consisted of the solicitation of private donations in the form of endowed scholarship funds providing scholarships to University students. In addition, the Foundation acted as a repository for funds donated to or raised by particular

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University departments or student programs, clubs, groups, or athletic teams (Special Purpose Funds) to be used at the discretion of those University employees in charge of such programs, clubs, groups, or teams.

Since 2000, the scope of the relationship between the Foundation and the University had been governed by a written memorandum of understanding, which was amended on September 10, 2015, (the "Agreement"). The University elected to terminate the Agreement as of December 31, 2018. In connection with termination, at the University's request, the Foundation transferred to the University approximately \$667,173 of Special Purpose Funds that had been deposited into the Foundation's bank account. Currently, those Special Purpose Funds are being held by the University in accounts managed by the University's Office of Institutional Advancement and Alumni Relations to ensure the funds are utilized for their intended purposes. All other endowment and scholarship moneys in accounts held by the Foundation continue to be held by the Foundation.

During the fiscal year ended June 30, 2020, the suit was settled and the University received endowment funds of \$959,635 which are recognized in contributions in the June 30, 2020, statement of revenues, expenses, and changes in net position. There are no expectations of any further actions.

***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, 2020 and 2019, 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.

***Labor Agreement***

On August 13, 2018, the Lincoln University Board of Curators signed a collective bargaining agreement with LUMNEA/MNEA (Missouri National Education Association) which covers tenured and tenured-track academic faculty whose academic appointment is 0.75 FTE or higher excluding supervisory, managerial, and confidential employees. This agreement is in effect through December 31, 2020, and thereafter until the parties agree on a successor agreement or reach impasse. This represents 20 percent and 17 percent, respectively, of the University's employees at June 30, 2020 and 2019.

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**Note 9: Natural Classifications with Functional Classifications**

For the years ended June 30, 2020 and 2019, the following tables represent operating expenses with both natural and functional classifications:

	<b>2020</b>						
	<b>Compensation and Benefits</b>	<b>Contractual Services</b>	<b>Travel</b>	<b>Supplies and Materials</b>	<b>Utilities</b>	<b>Communications and Other</b>	<b>Total</b>
Instruction	\$ 11,564,020	\$ 441,754	\$ 99,387	\$ 217,547	\$ 542	\$ 221,674	\$ 12,544,924
Research	3,463,333	845,594	74,877	467,006	173,583	218,402	5,242,795
Community service	4,388,451	629,398	189,581	156,572	111,738	189,158	5,664,898
Academic support	2,859,496	50,577	39,988	93,343	742	188,699	3,232,845
Student services	4,932,385	827,124	318,157	318,314	-	391,717	6,787,697
Institutional support	6,971,721	4,218,750	119,113	350,187	211,078	563,671	12,434,520
Operations and maintenance of plant	258,975	3,111,253	5,226	44,168	1,297,274	72,869	4,789,765
Scholarships and fellowships	-	-	-	-	-	-	983,667
Depreciation and amortization	-	-	-	-	-	-	5,689,257
	<u>\$ 34,438,381</u>	<u>\$ 10,124,450</u>	<u>\$ 846,329</u>	<u>\$ 1,647,137</u>	<u>\$ 1,794,957</u>	<u>\$ 1,846,190</u>	<u>\$ 57,370,368</u>

	<b>2019</b>						
	<b>Compensation and Benefits</b>	<b>Contractual Services</b>	<b>Travel</b>	<b>Supplies and Materials</b>	<b>Utilities</b>	<b>Communications and Other</b>	<b>Total</b>
Instruction	\$ 10,722,248	\$ 283,327	\$ 126,181	\$ 121,904	\$ 322	\$ 189,952	\$ 11,443,934
Research	2,642,055	616,503	100,488	385,045	176,466	107,157	4,027,714
Community service	3,401,204	571,295	226,565	132,721	100,905	194,365	4,627,055
Academic support	2,636,752	173,371	54,847	54,667	322	181,051	3,101,010
Student services	4,779,420	647,307	515,551	301,667	-	498,896	6,742,841
Institutional support	6,553,379	3,906,368	166,112	255,268	194,077	663,049	11,738,253
Operations and maintenance of plant	153,123	2,576,232	(5)	33,927	1,425,160	21,209	4,209,646
Scholarships and fellowships	-	-	-	-	-	-	160,265
Depreciation and amortization	-	-	-	-	-	-	5,479,793
	<u>\$ 30,888,181</u>	<u>\$ 8,774,403</u>	<u>\$ 1,189,739</u>	<u>\$ 1,285,199</u>	<u>\$ 1,897,252</u>	<u>\$ 1,855,679</u>	<u>\$ 51,530,511</u>

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**Note 10: Disclosure About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

Description	Total	2020		
		Level 1	Level 2	Level 3
Money market treasury funds	\$ 1,463,090	\$ 1,463,090	\$ -	\$ -
U.S. Treasury obligations	5,294,265	5,294,265	-	-
Government-sponsored enterprises obligations	9,546,240	-	9,546,240	-
Total investments measured at fair value	<u>\$ 16,303,595</u>	<u>\$ 6,757,355</u>	<u>\$ 9,546,240</u>	<u>\$ -</u>

Description	Total	2019		
		Level 1	Level 2	Level 3
Money market treasury funds	\$ 17,589,968	\$ 17,589,968	\$ -	\$ -
U.S. Treasury obligations	5,557,153	5,557,153	-	-
Government-sponsored enterprises obligations	14,984,598	-	14,984,598	-
Total investments measured at fair value	<u>\$ 38,131,719</u>	<u>\$ 23,147,121</u>	<u>\$ 14,984,598</u>	<u>\$ -</u>

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**Note 11: Current Economic Conditions**

As a result of the spread of the SARS-COV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the University. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**



**Lincoln University**  
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**Required Supplementary Information**  
**Schedule of the University's Proportionate Share of the Net Pension Liability**  
**Missouri State Employees' Retirement System**  
**Last Six Fiscal Years\***

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
University's proportion of the net pension liability	0.7482%	0.7438%	0.8186%	0.8224%	0.8660%	0.8448%
University's proportionate share of the net pension liability	\$ 45,197,670	\$ 41,490,650	\$ 42,624,658	\$ 38,177,503	\$ 27,798,365	\$ 19,918,271
University's covered-employee payroll	\$ 14,534,557	\$ 14,456,872	\$ 16,112,220	\$ 15,928,030	\$ 16,754,310	\$ 15,852,748
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.97%	287.00%	264.55%	239.69%	165.92%	125.65%
Plan fiduciary net position as a percentage of the total pension liability	56.72%	59.02%	60.41%	63.60%	72.62%	79.49%

\*The amounts presented for each fiscal year were determined as of the end of the preceding fiscal year.

This schedule presents the information available to the University and will include ten-year trend information once available.

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**Required Supplementary Information**  
**Schedule of University Pension Contributions**  
**Missouri State Employees' Retirement System**  
**Last Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,238,148	\$ 2,937,434	\$ 2,811,886	\$ 2,734,246	\$ 2,702,988	\$ 2,843,875	\$ 2,757,130
Contributions in relation to the contractually required contribution	3,238,148	2,937,434	2,811,886	2,734,246	2,702,988	2,843,875	2,757,130
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 14,874,362	\$ 14,534,557	\$ 14,456,872	\$ 16,112,220	\$ 15,928,030	\$ 16,754,310	\$ 15,852,748
Contributions as a percentage of covered-employee payroll	21.77%	20.21%	19.45%	16.97%	16.97%	16.97%	17.39%

This schedule presents the information available to the University and will include ten-year trend information once available.

## Notes to Schedule

### ***Benefit Changes***

There were no changes to benefit terms for MOSERS for the years ended June 30, 2019 or 2018. During the MOSERS plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from 10 years of credited service to 5 years for members employed on or after January 1, 2018. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

There were no changes to benefit terms for MOSERS for the other years presented above.

### ***Changes of Assumptions***

The assumed investment rate of return was reduced from 7.25 percent to 7.10 percent for the June 30, 2019, valuation. The salary increase rate was reduced from 3.00 percent to 2.85 percent. The wage inflation rate was reduced from 2.50 percent to 2.35 percent. There were no other changes in actuarial assumptions for the June 30, 2019, valuation.

The assumed investment rate of return was reduced from 7.50 percent to 7.25 percent for the June 30, 2018, valuation. The salary increase rate was reduced from 3.25 percent to 3.00 percent. The wage inflation rate was reduced from 3.00 percent to 2.50 percent. There were no other changes in actuarial assumptions for the June 30, 2018, valuation.

The assumed investment rate of return was reduced from 7.65 percent to 7.50 percent for the June 30, 2017, valuation. There were no other changes in actuarial assumptions for the June 30, 2017, valuation.

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**Schedule of University Pension Contributions**  
**Missouri State Employees' Retirement System**  
**Last Seven Fiscal Years**

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

Salary increases:	3.25% to 8.75% including inflation
Wage inflation:	3.00%
Investment rate of return:	7.65%
Post-retirement mortality tables:	RP-2014 Healthy Annuitant projected to 2026 with Scale MP-2015 and scaled by 120%
Pre-retirement mortality tables:	RP-2014 Employee projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females

There were no changes to actuarial assumptions used in the June 30, 2015, valuation, other than the assumption that there would be no pay increases for fiscal year ending June 30, 2016.

There were no changes to actuarial assumptions used in the June 30, 2014, valuation.

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**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**  
**Last Three Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>			
Interest	\$ 17,911	\$ 25,190	\$ 26,642
Changes in assumptions and inputs	(45,284)	(91,004)	2,016
Differences between actual and expected experience	16,315	(44,081)	-
Benefit payments	<u>(55,350)</u>	<u>(57,514)</u>	<u>(63,679)</u>
<b>Net Change in Total OPEB Liability</b>	(66,408)	(167,409)	(35,021)
<b>Total OPEB Liability – Beginning</b>	<u>624,695</u>	<u>792,104</u>	<u>827,125</u>
<b>Total OPEB Liability – Ending</b>	<u><u>\$ 558,287</u></u>	<u><u>\$ 624,695</u></u>	<u><u>\$ 792,104</u></u>
<b>Covered-Employee Payroll*</b>	\$ -	\$ -	\$ -
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	N/A	N/A	N/A

\*OPEB valuation includes only current retirees.

This schedule presents the information available to the University and will include ten-year trend information once available.

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**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**  
**Last Three Fiscal Years**

**Notes to Schedule**

***Benefit Changes***

There were no changes to benefit terms for the year ended June 30, 2020, 2019, or 2018.

***Changes of Assumptions***

The following changes were made to actuarial assumptions during the year ended June 30, 2020:

- The retiree per capita costs and trend assumptions were updated as part of the actuarial evaluation. The 2020 renewal resulted in an average increase of 4.5 percent - Medical and 3.5 percent - Rx relative to 2019.
- The mortality assumption was changed from Society of Actuaries RPH 2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with MP-2018 Full Generational Improvement to the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement.
- The discount rate was changed from 3.00 percent to 2.60 percent for the end of year measurement.
- Life insurance is valued as the probability of death times the amount of insurance rather than assumed age-banded rate times the probability of survival.
- The number of health insurance participants decreased by 1.

The following changes were made to actuarial assumptions during the year ended June 30, 2019:

- The per capita costs-premium rates and trend assumptions were updated as part of the ongoing actuarial analysis. Premium costs were lower than expected.
- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2018 Full Generational Improvement.
- The discount was changed from 3.35 percent to 3.00 percent for the end of year measurement.
- The number of health insurance and life insurance participants decreased by 2 and 1, respectively.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Required Supplementary Information**  
**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**  
**Last Three Fiscal Years**

The following changes were made to actuarial assumptions during the year ended June 30, 2018:

- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 White Collar Headcount-weighted Mortality table with MP-2017 Full Generational Improvement.
- The per capita costs and trend assumptions were updated as part of the ongoing actuarial analysis.
- The discount rate was changed from 3.50 percent (GASB 45) to 3.35 percent as of the beginning of the year and 3.30 percent as of the end of the year in accordance with GASB 75.
- The life insurance benefit for two retirees was valued and included in the results.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

## **Supplementary Information**

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Auxiliary System Revenue Fund**  
**Schedules of Revenues and Expenses**  
**Years Ended June 30, 2020 and 2019**

	2020					
	Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	Total
<b>Revenues</b>						
Residence hall contracts	\$ 2,938,336	\$ -	\$ -	\$ -	\$ -	\$ 2,938,336
Housing system appropriation	394,978	-	-	-	-	394,978
Food service	-	2,386,401	-	-	-	2,386,401
Bookstore	-	-	19,296	-	-	19,296
Other	-	-	-	36,373	-	36,373
Vending	-	-	-	25,023	-	25,023
	<u>3,333,314</u>	<u>2,386,401</u>	<u>19,296</u>	<u>61,396</u>	<u>-</u>	<u>5,800,407</u>
<b>Direct Expenses</b>						
Salaries and wages	306,870	-	-	77,599	13,104	397,573
Fringe benefits	126,281	-	-	19,714	7,263	153,258
Equipment purchases	1,699	21,976	-	1,234	-	24,909
Contractual services	1,168,599	1,569,250	-	136	180,327	2,918,312
Travel	7,244	-	-	-	-	7,244
Supplies, cost of sales	86,936	7,746	-	211	-	94,893
Communications	7,986	(6,190)	-	968	1,440	4,204
Utilities	714,818	-	-	-	320	715,138
Other operating	352,678	328	-	7,599	1,906	362,511
	<u>2,773,111</u>	<u>1,593,110</u>	<u>-</u>	<u>107,461</u>	<u>204,360</u>	<u>4,678,042</u>
<b>Excess (Deficiency) of Revenues Over Direct Expenses</b>	<u>\$ 560,203</u>	<u>\$ 793,291</u>	<u>\$ 19,296</u>	<u>\$ (46,065)</u>	<u>\$ (204,360)</u>	<u>1,122,365</u>
<b>Indirect Expenses</b>						
Bad debts						107,014
Audit						12,547
						<u>119,561</u>
<b>Excess of Revenues Over Expenses</b>						1,002,804
<b>Transfers In</b>						1,168,411
<b>Mandatory Transfer for Principal and Interest on Indebtedness</b>						(1,503,186)
<b>Nonmandatory Transfer to Plant Fund</b>						<u>(300,000)</u>
<b>Net Increase for the Year</b>						368,029
<b>Net Position, Beginning of Year</b>						<u>3,394,184</u>
<b>Net Position, End of Year</b>						<u>\$ 3,762,213</u>



2019					
Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	Total
\$ 3,789,938	\$ -	\$ -	\$ -	\$ -	\$ 3,789,938
593,037	-	-	-	-	593,037
-	3,146,141	-	-	-	3,146,141
-	-	38,742	-	-	38,742
-	-	-	54,185	-	54,185
-	-	-	6,067	-	6,067
<u>4,382,975</u>	<u>3,146,141</u>	<u>38,742</u>	<u>60,252</u>	<u>-</u>	<u>7,628,110</u>
350,621	-	-	73,430	22,881	446,932
146,056	-	-	23,483	5,303	174,842
6,999	4,590	-	-	-	11,589
738,237	2,045,400	1,133	-	140,123	2,924,893
4,251	-	-	1,701	-	5,952
13,308	-	-	89	-	13,397
6,444	(6,316)	-	1,088	1,620	2,836
791,083	-	-	-	322	791,405
351,230	-	1,019	8,391	29	360,669
<u>2,408,229</u>	<u>2,043,674</u>	<u>2,152</u>	<u>108,182</u>	<u>170,278</u>	<u>4,732,515</u>
<u>\$ 1,974,746</u>	<u>\$ 1,102,467</u>	<u>\$ 36,590</u>	<u>\$ (47,930)</u>	<u>\$ (170,278)</u>	<u>2,895,595</u>
					75,033
					<u>12,180</u>
					<u>87,213</u>
					2,808,382
					51,516
					(2,215,871)
					<u>(800,000)</u>
					(155,973)
					<u>3,550,157</u>
					<u>\$ 3,394,184</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Athletic Facilities Revenue Fund**  
**Schedule of Revenues and Expenses**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Revenues</b>		
Student athletic fees		
Student athletic fees	\$ 447,079	\$ 500,896
Student experience expenses	(3,366)	(107,063)
Net student athletic fees	443,713	393,833
Football ticket sales	14,895	10,955
Facility rental fees	11,610	5,127
Sponsorships	-	-
Donations	-	-
Other	-	-
	<u>470,218</u>	<u>409,915</u>
<b>Direct Expenses</b>		
Property insurance	4,676	3,579
Custodial and grounds	112,010	108,738
Utilities	54,719	38,738
Other	21,995	-
	<u>193,400</u>	<u>151,055</u>
<b>Excess of Revenues Over Direct Expenses</b>	276,818	258,860
<b>Transfers In</b>	166,895	108,219
<b>Transfers Out</b>	(134,845)	(32,810)
<b>Mandatory Transfer for Principal and Interest on Indebtedness</b>	<u>(308,868)</u>	<u>(314,717)</u>
<b>Net Increase (Decrease) for the Year</b>	-	19,552
<b>Net Position, Beginning of Year</b>	<u>200,455</u>	<u>180,903</u>
<b>Net Position, End of Year</b>	<u>\$ 200,455</u>	<u>\$ 200,455</u>

This schedule presents revenues and expenses of the Athletic Facilities Revenue Fund for the years ended June 30, 2020 and 2019.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Pell Grant Program	84.063		\$ -	\$ 5,396,553
Federal Work-Study Program	84.033		-	92,559
Federal Supplemental Educational Opportunity Grants	84.007		-	207,978
Federal Direct Student Loans	84.268		-	11,016,566
			<u>-</u>	<u>16,713,656</u>
Total Student Financial Assistance Cluster			<u>-</u>	<u>16,713,656</u>
Research and Development Cluster				
U.S. Department of Agriculture				
Cooperative Research, Education and Extension Service	10.205		-	2,712,779
A Circle of Green Project: Strengthening Extension, Outreach and K014 Education to Promote Green Farms & Schools	10.216		-	210,228
Assessments of the Impact of Cryptic E. Coli on Current Water Quality Monitoring and Management	10.216		-	197
Integrated Research in Single E-Coli Cell Detection & Interactive Education to Build Capacity in Food Safety & Security	10.216		1,065	1,065
Recruitment/Retention at Lincoln University through Experiential Learning, Curriculum Development/Changes and Partnerships with Missouri High Schools	10.216			7,192
Evaluation of Soilless Root Support Substrates for Control of Nitrate & Phosphorus Pollution from Vegetable Production in Non-Recirculating Hydroponic Systems	10.216		-	47,155
Increased Body Mass Index Resulting in Decreased Oral Fat Sensitivity: Implications in Biomarkers of Obesity and Metabolic Syndrome	10.216		-	125,532
Use of Simulation Modules to Enhance Learning Chemistry and its Applications in Agriculture and Environmental Sciences	10.216		-	40,805
Scale Appropriate Strategies	10.307		3,427	101,428
Spatial Variability of Soil Greenhouse Gas Emissions & Soil Microbial Diversity & Function in Conventional & Alternate Land Use Systems in Floodplain Soils	10.216		100,615	172,736
Disseminating Geospatial Information Science & Technology Knowledge to K-12 Educators & Youth	10.216		23,918	96,869
Community Based Technical Assistance and Training Reaching New Audiences to Help Small Processors Reach FSMA Compliance	10.328		-	58,218
Efficient Nanotechnology Methodology	10.216		54,841	105,002
U.S. Department of Agriculture/Iowa State University of Science & Technology Implementation of FSMA in the North Central Region through Adoption of Systems Approach and Stakeholder Engagement	10.215		-	5,733
U.S. Department of Agriculture/Missouri Department of Agriculture Potential of Brussel Sprouts for Production and Consumption in Missouri	10.170	8	-	15,855

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
Research and Development Cluster (Continued)				
U.S. Department of Agriculture/Iowa State University Optimizing Mesotunnel Systems	10.215	416-40-93F	\$ -	\$ 34,805
U.S. Department of Agriculture/University of Missouri Facilitating Improved Environmental & Soil Quality Through Biodiversity & Crop/Livestock Integration on Organic Farms	10.303	C00058319-1	-	12,792
National Science Foundation Unraveling the Elemental Abundances and Dust Properties of the Interstellar Medium	47.076		-	7,832
Collaborative Research: Structure & Quaternary Kinematics of Amagmatic Rifting in the Central Afar Triple Junction	47.050		-	907
Catalyst Project: Computational Research on Music & Audio	47.076		-	17,194
Catalyst Project: Computational Research on Music & Audio (Participant Costs)	47.076		-	500
Excellence in Research	47.041		18,344	66,691
National Science Foundation/University of Missouri The Missouri Transect: Climate, Plants & Community	47.079	C00043573-5	-	26,027
The Missouri Transect: Climate, Plants & Community	47.083	C00043573-5	-	24,306
National Science Foundation/Harris-Stowe State University MoSLAMP	47.076	1619639	-	107,877
Total Research and Development Cluster			202,210	3,999,725
Cooperative Extension Service				
U.S. Department of Agriculture CES: Capital Improvements	10.500		-	1,606,362
Cooperative Extension Program (FY-18)	10.500			784,959
U.S. Department of Agriculture/University of Minnesota NCR – SARE	10.500	0001106019	-	63
U.S. Department of Agriculture/University of Missouri Missouri AgrAbility Program	10.500	C00063072-2	-	13,535
			-	2,404,919
Soil and Water Conservation				
U.S. Department of Agriculture Enhancing Farm Profitability & Livelihood of Minority & Limited Resource Farmers, Agricultural Producers and the Rural Community in the Designated Strike-Force Counties of Missouri	10.902		-	1,494
Promotion of Farm Bill Programs through Education	10.902		2,973	5,419
Enhancing Natural Resource Management Capabilities through the LU GIS Center of Excellence	10.902		-	7,689
Promoting the Use of GIS Technology	10.902		-	49,990
Outreach to the Minority and Limited Resources Farmers	10.902		-	56,791
Providing Soil Health Training			-	9,864
			2,973	131,247

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
Cooperative Forestry Research				
U.S. Department of Agriculture				
McIntire Stennis Cooperative Forestry Act Funds FY18	10.202		\$ -	\$ 23,900
McIntire Stennis Cooperative Forestry Act Funds FY19	10.202		-	21,573
			<u>-</u>	<u>45,473</u>
Wildlife Services				
U.S. Department of Agriculture				
Fiscal Year 2018 Wildlife Initiative Program	10.028		-	567
U.S. Department of Agriculture/Tuskegee University				
Feral Swine Outreach	10.028	39-32650071-76190C	-	34,504
			<u>-</u>	<u>35,071</u>
U.S. Department of Agriculture				
Ag Discovery Summer Enrichment Program	10.025		-	26,457
Agriculture Extension at 1890 Land-Grant Institutions Program	10.512		-	1,888,576
EFNEP – Expanded Food Nutritional Program	10.514		-	136,098
RREA – Renewable Resource Extension Account	10.515		-	19,646
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers	10.443		-	123,784
U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services				
Pregnancy Prevention Program	93.235	AOC14380022	-	83,968
Implementation of Violence Prevention Strategy	93.136	AOC16380122	-	15,976
U.S. Department of Health and Human Services/University of Kansas				
The Heartland Sexual Assault Policies & Prevention on Campuses Project	93.088	FY2017-015	-	735
U.S. Department of Health and Human Services/Missouri Department of Insurance				
Providing Educational Opportunities for Seniors through the Lunch and Learn Series and Senior Summer School	93.000	None	-	9,815
Higher Education Institutional Aid				
U.S. Department of Education				
Title III SAFRA – Fiscal Year 15 Awards	84.031		-	865,127
Title III – Fiscal Year 17 Awards	84.031		-	2,146,384
			<u>-</u>	<u>3,011,511</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
U.S. Department of Education/Mineral Area College Carl D Perkins Grant	84.048	163-163 / 117-117	\$ -	\$ 8,624
U.S. Department of Education/State of Missouri State Fiscal Stabilization Fund (SFSF) – Government Services	84.397	None	-	1,150
COVID-19 - Higher Education Emergency Relief Fund				
U.S. Department of Education Student Aid Portion	84.425E	NA	-	764,282
Institutional Portion	84.425F	NA	-	1,283,219
			-	2,047,501
COVID-19 - Coronavirus Relief Fund				
U.S. Department of the Treasury/State of Missouri	21.019	NA	-	6,792
NASA/Missouri University of Science and Technology Missouri Space Grant Consortium	43.001	C00029558-07	-	39,025
Small Business Administration/University of Missouri Missouri Small Business Development Center	59.000	C00051641-3 C00055924	-	34,297
U.S. Department of Defense Office of the Secretary of Defense Outsourcing the Academic Phase of Training for the U.S. Army Prime Power School	12.630		-	183,279
Department of Transportation National Highway Traffic Safety Administration PIP - Partners in Prevention	20.614		-	1,690
U.S. Department of Education/Tennessee State University Open Education Resources	84.116T		-	3,732
U.S. Department of Agriculture Foreign Agricultural Service CFP19 - Jordan Ag Extension	10.962		51,761	56,938
CFP19 - Albania Food Safety	10.962		54,214	59,635
			105,975	116,573
			\$ 311,158	\$ 31,089,320

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Lincoln University under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Federal Direct Student Loan balances are not included in the University’s financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule.

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

**Independent Auditor's Report**

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 (the "University"), a component unit of the State of Missouri, which comprise the statement of net position as of June 30, 2020, 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 December 18, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing 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 Organization'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 or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.



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

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 financial statements. 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*.

### ***University's Response to the Finding***

University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report 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 on compliance. This report 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  
December 18, 2020

## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

Board of Curators  
Lincoln University  
Jefferson City, Missouri

#### **Report on Compliance for Each Major Federal Program**

We have audited Lincoln University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lincoln University's major federal programs for the year ended June 30, 2020. 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***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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. However, our audit does not provide a legal determination on the University's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Lincoln University complied, in all material respects, with the types of 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, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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 types of 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 the Uniform Guidance, 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.

Board of Curators  
Lincoln University

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 or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-002, that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Springfield, Missouri  
June 24, 2021

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

***Summary of Auditor's Results***

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:  
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

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  
Significant deficiency(ies)?      ☒ Yes      ☐ None reported  
Material weakness(es)?      ☐ Yes      ☒ No
5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?      ☒ Yes      ☐ No

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7. The University's major programs were:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Higher Educational Emergency Relief Funds	84.425
Agriculture Extension at 1890 Land-Grant Institutions Program	10.512

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee? ☐ Yes ☒ No

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

<b>Reference Number</b>	<b>Finding</b>
2020-001	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – As a result of a lack of segregation of duties and formal review processes for recording transactions within the Office of Institutional Advancement, audit adjustments were proposed and recorded impacting contributions receivable and contribution income.</p> <p>Effect – Certain transactions were not properly recognized in the financial statements.</p> <p>Cause – The University's accounting activities for the Office of Institutional Advancement occur separately from the University's traditional financial reporting, cash inflow, and cash outflow transaction cycles, resulting in lack of normal review of receivables recorded.</p> <p>Recommendation – The University's month-end close process should include an adequate review of reconciliations to ensure account balances are properly recorded and supported.</p> <p>Views of Responsible Officials and Planned Corrective Action – The University understands and will coordinate with the Office of Institutional Advancement to review transactions on a monthly basis.</p>

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**Findings Required to be Reported by Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
2020-002	<p>CFDA Number 84.425 Education Stabilization Fund Under the <i>Coronavirus Aid, Relief, and Economic Security Act</i>, U.S. Department of Education Program Year 2019-2020; Higher Education Emergency Relief Fund (HEERF) Student Aid Portion</p> <p>Criteria or Specific Requirement – Reporting</p> <p>Condition – Section 18004(e) of the CARES Act requires each institution that received a 18004 (a)(1) Student Aid Portion award to submit a report to the Secretary of the U.S. Department of Education (the "Department") “at such time and in such manner as the Secretary may require.” This was later clarified through an Electronic Announcement (EA) from the Department on May 6, 2020, to require the University to publicly post specified information on their website no later than 30 days from the date of the institution’s Certification and Agreement with the Department. The OMB Compliance Supplement Addendum implies this requirement is effective beginning May 6, 2020. Lincoln University did not post the required documentation on its website until December 7, 2020. This is 184 days late, when considering 30 days from the May 6, 2020, date of the EA. In addition, the information posted failed to include the number of students that received the grants as well as the method of distributing the funds.</p> <p>Questioned costs – None</p> <p>Context – At the time that the information was required to be posted, there was existing confusion as to when the various reports were due, including this initial report. Confusion existed at that time as to when the 30 days would begin and how quickly the initial information should be posted, and exactly what should be included.</p> <p>Effect – The University submitted the required report after the deadline with incomplete information.</p>



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**Findings Required to be Reported by Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
2020-002 (Continued)	<p>Cause – The University did not have controls in place to post information within the required timing and that included all required elements.</p> <p>Identification as a Repeat Finding – N/A</p> <p>Recommendation – The University should strengthen the internal controls surrounding the HEERF reporting by establishing policies and procedures to ensure that reporting information is submitted timely and accurately.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Reports will be provided to the Office of Grants and Sponsored Research for review by the Director of Grants and Sponsored Research on a quarterly basis. All reports and proof of public posting will be saved for retrieval and documentation of the reporting process.</p>

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Reference Number	Finding	Status
2019-001	<p data-bbox="375 615 1159 716">Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p data-bbox="375 762 1159 968">Condition – The University receives cooperative research grant funding from the U.S. Department of Agriculture under CFDA Number 10.205. Revenue was not properly recorded for cooperative research grants during the year. An audit adjustment was proposed and recorded during the course of the audit to properly recognize federal grant revenue.</p> <p data-bbox="375 1014 1159 1325">Context – We test the recognition of grant revenue and accuracy of the grant receivables and unearned grant revenues. We agree grant revenue to the amounts reported in the Schedule of Expenditures of Federal Awards. While testing amounts on the Schedule of Expenditures of Federal Awards, we noted grant revenue was overstated by \$1,877,808 for cooperative research grants. The University’s financial statements required an adjustment of \$1,877,808 to properly record cooperative research grant revenue for the year.</p> <p data-bbox="375 1381 1159 1444">Effect – Cooperative research grant revenue was not properly recognized in the financial statements.</p> <p data-bbox="375 1486 1159 1724">Cause – The University manages nearly \$30 million in federal grants. The schedule used by the University to track grant revenues and expenditures was not properly updated when recording year-end grant revenue adjustments. The University had personnel changes within the Office of the Controller during the year resulting in reassignment of duties and changes in reporting structure.</p> <p data-bbox="375 1780 1159 1915">Recommendation – The University’s month-end close process should include an adequate review of the grant revenue and expenditure schedule to ensure the adjustment for grant revenue is properly calculated and supported.</p>	Resolved

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<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
2019-001 (Continued)	View of Responsible Officials and Planned Corrective Action – After review of the finding, the University concurs with the stated finding. For grant awards, revenue is recognized at the time expenses are incurred. Due to changes in the account structure setup for a grant award, revenue was not recognized appropriately. The University has reviewed the process to recognize revenue associated with grant awards and has added a note to review at year-end for accuracy.	

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<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
2019-002	<p>Student Financial Assistance Cluster, CFDA Number 84.268  Federal Direct Student Loans, CFDA Number 84.063 Federal  Pell Grant Program, U.S. Department of Education Program  Year 2018-2019</p> <p>Criteria or Specific Requirement – Special Tests: Enrollment  Reporting  34 CFR Sections 690.83 (b)(2) and 685.309</p> <p>Condition – Nine student enrollment status changes were not  communicated to the National Student Loan Data System (NSLDS)  on a timely basis or were reported incorrectly.</p> <p>Questioned costs – None</p> <p>Context – Out of a population of 1,833 student enrollment status  changes requiring notification transmitted to NSLDS, a sample of 40  student enrollment status changes was selected for testing. Our  sample was not and was not intended to be statistically valid. Five  student enrollment changes were not reported within the required 60-  day requirement. Three student enrollment changes were not  reported to NSLDS. One student enrollment change was not reported  with the correct effective date.</p> <p>Effect – NSLDS was not properly notified of student enrollment  status changes of Direct Loan and Pell Grant recipients.</p> <p>Cause – The Registrar’s Office and the Enrollment Services  Technical Coordinator do not have adequate processes and controls  around enrollment reporting to ensure reporting is accurate and  timely.</p>	Resolved

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<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
2019-002 (Continued)	<p>Recommendation – The Registrar’s Office and the Enrollment Services Technical Coordinator should review processes and controls around enrollment reporting and consider substantial changes to address this recurring finding.</p> <p>Views of Responsible Officials and Planned Corrective Actions – A request will be made from the Compliance Center at Clearinghouse to research the time delay issues as well as students not being reported through NSLDS. Continue to utilize procedures developed and to ensure that all patches are installed in a timely manner in Colleague. Another staff member will be assigned to ensure tasks are completed on schedule.</p>	