

Lincoln University
A Component Unit of the State of Missouri
Independent Auditor's Reports and Financial Statements
June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its 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, 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 17, 2021, 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 17, 2021

Lincoln University

A Component Unit of the State of Missouri

Management's Discussion and Analysis

Years Ended June 30, 2021 and 2020

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, 2021 and 2020, with selected comparative information for the year ended June 30, 2019. 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 62nd and 65th Colored Infantries, Lincoln University was designed to meet the educational and social needs of freed African Americans. While remaining committed to this purpose, the University has expanded its historical mission to embrace the needs of a significantly broader higher education population. Our current mission statement further delineates the University's character and historical nature:

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

Academic Programs

The academic programs of the University are organized under three Colleges: the College of Arts and Sciences, the College of Professional Studies, and the College of Agriculture, Environmental, and Human Sciences; along with the Office of Graduate Studies. During fiscal year 2021, 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. The Master of Business Administration (M.B.A.) degree programs are 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 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 deficit, 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 revenues in excess of expenses.

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

Statement of Net Position

A summarized comparison of the University's assets, liabilities, and net position at June 30, 2021, 2020, and 2019, is as follows:

	Net Position, End of Year		
	2021	2020	2019
	(In Millions)		
Assets and Deferred Outflows of Resources			
Current assets	\$ 37.2	\$ 37.0	\$ 31.0
Capital assets, net	87.8	81.5	81.8
Other noncurrent assets	12.9	3.2	24.6
Deferred outflows of resources	<u>7.5</u>	<u>9.1</u>	<u>11.6</u>
Total assets and deferred outflows of resources	<u>\$ 145.4</u>	<u>\$ 130.8</u>	<u>\$ 149.0</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities	\$ 9.6	\$ 7.2	\$ 24.8
Noncurrent liabilities	67.4	66.8	64.2
Deferred inflows of resources	<u>1.1</u>	<u>1.8</u>	<u>3.4</u>
Total liabilities and deferred inflows of resources	<u>\$ 78.1</u>	<u>\$ 75.8</u>	<u>\$ 92.4</u>
Net Position			
Net investment in capital assets	\$ 71.5	\$ 66.2	\$ 64.3
Restricted – nonexpendable	0.3	0.1	0.1
Restricted – expendable	5.0	4.6	2.1
Unrestricted	<u>(9.5)</u>	<u>(15.9)</u>	<u>(9.9)</u>
Total net position	<u>\$ 67.3</u>	<u>\$ 55.0</u>	<u>\$ 56.6</u>

During the 2021 fiscal year, total assets and deferred outflows of resources increased by \$14.6 million, total liabilities and deferred inflows of resources increased by \$2.3 million. The total net position increased by \$12.3 million compared to fiscal year 2020. In fiscal year 2021, the University's current assets of \$37.2 million were sufficient to cover current liabilities of \$9.6 million. The current ratio decreased to 3.9 in 2021 from 5.2 in 2020 and 1.3 in 2019. The change in the current ratio for 2021 is due to the receipt of federal stabilization funds for capital projects that had not yet been spent as of fiscal year-end in 2021.

The University's liabilities and deferred inflows of resources totaled \$78.1 million at June 30, 2021, and \$75.8 million at June 30, 2020. Noncurrent liabilities totaled \$67.4 million in 2021 and \$66.8 million in 2020. 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 2021 was primarily a result of an increase in net pension liability of \$2.1 million, an increase in current liabilities for the federal budget stabilization funds for capital projects of \$1.6 million offset by a decrease in outstanding debt of \$0.9 million.

The unrestricted portion of net position in 2021 was a negative \$9.5 million compared to a negative \$15.9 million in 2020. Unrestricted fund balance includes the noncash adjustments for post-retirement benefits outlined under GASB Nos. 68 and 75. Below is a chart that further outlines the unrestricted net position by fund.

Unrestricted Net Position by Fund

	2021	2020	2019
	(In Millions)		
General Fund	\$ 24.5	\$ 15.4	\$ 16.6
General Fund (GASB 68)	(41.1)	(38.3)	(33.4)
General Fund (GASB 75)	(0.6)	(0.6)	(0.6)
Auxiliary Fund	4.1	3.8	3.4
Restricted Fund	2.5	2.4	2.5
Endowment Fund	0.3	0.3	0.2
Plant Fund	0.8	1.1	0.6
Office of Institutional Advancement	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
Total unrestricted net position	\$ <u>(9.5)</u>	\$ <u>(15.9)</u>	\$ <u>(9.9)</u>

The general fund unrestricted net position increased from \$15.4 million in 2020 to \$24.5 million in 2021. The increase is due to the inflow of lost revenue associated with the COVID-19 pandemic and associated Higher Education Emergency Relief Fund (HEERF) resources.

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.

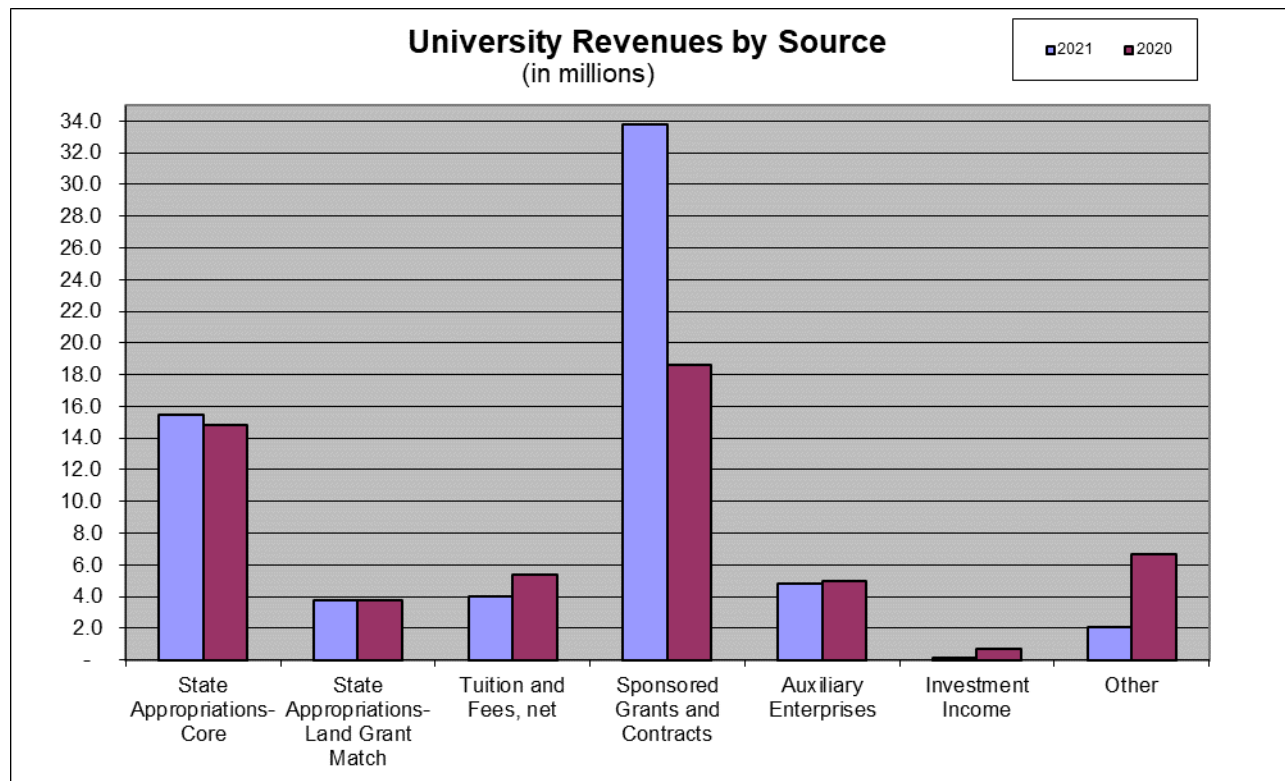
A summarized comparison of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2021, 2020, and 2019, is as follows:

	2021	2020	2019
	(In Millions)		
Operating revenues	\$ 9.5	\$ 14.0	\$ 13.0
Operating expenses	<u>54.8</u>	<u>57.4</u>	<u>51.6</u>
Operating loss	(45.3)	(43.4)	(38.6)
Net nonoperating revenues	<u>53.9</u>	<u>40.2</u>	<u>36.0</u>
Income (loss) before other revenues, expenses, gains, or losses	8.6	(3.2)	(2.6)
Loss on President's Residence tornado damage, net of insurance recovery	0.0	0.0	(1.0)
Capital appropriations	0.0	0.0	0.0
Capital grants and gifts	<u>3.7</u>	<u>1.6</u>	<u>0.1</u>
Increase (decrease) in net position	<u>12.3</u>	<u>(1.6)</u>	<u>(3.5)</u>
Net position, beginning of year	<u>55.0</u>	<u>56.6</u>	<u>60.1</u>
Net position, end of year	<u>\$ 67.3</u>	<u>\$ 55.0</u>	<u>\$ 56.6</u>

The total operating loss for fiscal year 2021 was \$45.3 million which was offset by nonoperating revenues of \$53.9 million. The largest component of nonoperating revenues is federal grants and contracts, which includes \$14.7 million in Higher Education Emergency Relief Fund (HEERF) allocations, followed by state appropriations. Although, these revenues support operating expenses, GASB mandates that these revenues be recorded as nonoperating revenues. Despite decreased operating revenues, operating revenues in addition to net nonoperating revenues were sufficient to cover operating expenses resulting in an overall increase of \$8.6 million in fiscal year 2021, an increase of \$11.8 million compared to the overall loss of \$3.2 million in fiscal year 2020. Operating revenues decreased at a greater rate (32 percent) compared to operating expenses (5 percent). This decrease is primarily due to insurance proceeds that had been received in fiscal year 2020 which increased the operating revenues by \$3.0 million. No significant insurance proceeds were received in fiscal year 2021.

Revenues (Operating and Nonoperating)

The following graph displays the components of the University's revenues for fiscal years 2021 and 2020:



As shown above, the largest component of total revenues (operating and nonoperating) is sponsored grants and contracts which surpassed core state appropriations in 2021 and 2020. Historically, core state appropriations was the University's largest revenue source, making up 24 percent of University revenues in 2021. For fiscal year 2021, the University was appropriated \$15.5 million, net of 3 percent reserves. In fiscal year 2021, the University also received federal HEERF funding to offset lost revenue. The \$14.7 million in HEERF funding is recorded in sponsored grants and contracts.

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. In fiscal year 2020, the University also received federal HEERF 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 HEERF funding is recorded in sponsored grants and contracts.

Student tuition and fees revenue of \$4.0 million is shown net of \$8.2 million in scholarship allowances, \$2.9 million in tuition discounts, and \$0.6 million in bad debt.

The following table represents the details of the University's grants and contracts revenue for the year ended June 30, 2021:

Federal sources	
Department of Agriculture	\$ 13,596,300
Department of Education (excluding financial aid)	17,486,324
Department of Defense	584,937
Department of Health and Human Services	56,120
National Aeronautics and Space Administration	92,450
National Science Foundation	290,760
Other Federal Sources	<u>51,263</u>
Total federal sources	\$ <u>32,158,154</u>

Operating Revenues

The following table summarizes the University's operating revenues by source for the years ended June 30, 2021, 2020, and 2019:

	Operating Revenues		
	2021	2020	2019
	(In Millions)		
Tuition and fees, net	\$ 4.0	\$ 5.4	\$ 5.8
Grants and contracts	0.6	0.2	0.2
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	4.6	5.0	6.6
Other	<u>0.2</u>	<u>3.3</u>	<u>0.3</u>
Total operating revenues	\$ <u>9.5</u>	\$ <u>14.0</u>	\$ <u>13.0</u>

In fiscal year 2021, operating revenues decreased from fiscal year 2020. Tuitions and fees declines by \$1.4 million. Auxiliary enterprises decreased by \$0.4 million from fiscal year 2020. These declines were due to a decrease in enrollment. Other operating revenues decreased by \$3.1 million in 2021 as compared to 2020 due to substantial insurance proceeds received in 2020.

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 HEERF 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 \$2.9 million.

Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2021, 2020, and 2019:

	2021	2020	2019
	(In Millions)		
Compensation	\$ 21.9	\$ 21.8	\$ 20.9
Benefits	10.6	12.6	10.0
Contractual services	8.9	10.1	8.8
Supplies and materials	1.9	1.7	1.2
Depreciation and amortization	5.7	5.7	5.5
Utilities/communications	1.9	1.9	1.9
Scholarships and fellowships	1.7	1.0	0.1
Other	<u>2.2</u>	<u>2.6</u>	<u>3.2</u>
Total operating expenses	\$ <u>54.8</u>	\$ <u>57.4</u>	\$ <u>51.6</u>

Operating expenses in 2021 decreased to \$54.8 million from \$57.4 million in 2020. The largest components of operating expenses are compensation and benefits followed by contractual services. Compensation remained steady while benefits decreased by \$2.0 million. This change was primarily due to a decreased expense associated with GASB No. 68 of \$2.1 million. Contractual services decreased by \$1.2 million due to lower legal and technology-related expenses. Contractual services also decreased due to the cessation of student activities on campus as a result of the pandemic as well as a reduction in services needed to serve a reduced student population.

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 HEERF funding provided directly to the students. All other categories predominately remained steady.

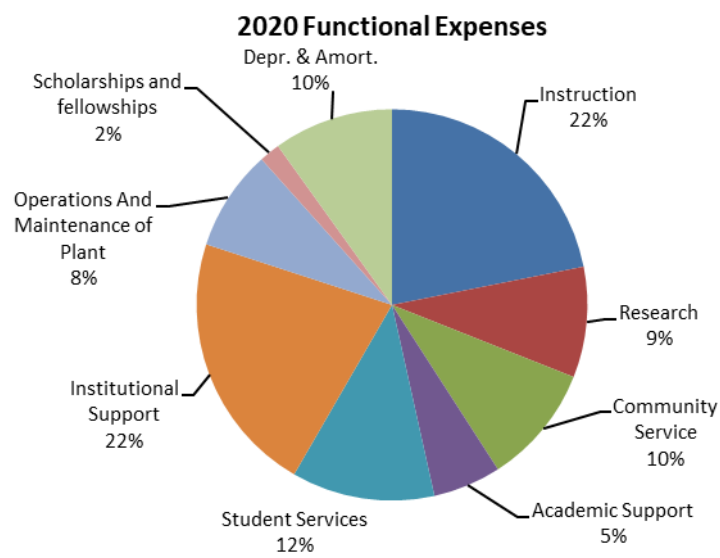
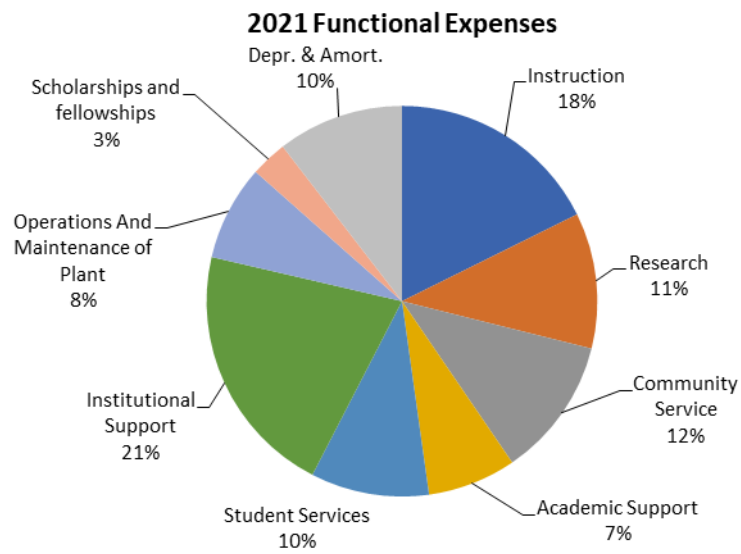
In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2021, 2020, and 2019, is as follows:

Expenses by Functional Category

	2021	2020	2019
	(In Millions)		
Instruction	\$ 9.7	\$ 12.6	\$ 11.4
Research	6.2	5.2	4.0
Community service	6.3	5.7	4.7
Academic support	4.0	3.2	3.1
Student services	5.4	6.8	6.8
Institutional support	11.5	12.4	11.8
Operations and maintenance of plant	4.3	4.8	4.2
Scholarships and fellowships	1.7	1.0	0.1
Depreciation and amortization	<u>5.7</u>	<u>5.7</u>	<u>5.5</u>
Total expenses	\$ <u>54.8</u>	\$ <u>57.4</u>	\$ <u>51.6</u>

The University's total operating expenses directly support the primary mission of the University: instruction, research, and community service. In 2021, the total of these three categories was \$22.2 million or 40.5 percent of the total expenses compared to \$23.5 million or 40.9 percent of total expenses in 2020. Instruction and institutional support are the largest components of expenses by functional category. In fiscal year 2021, instruction expense decreased by \$2.9 million while institutional support decreased by \$0.9 compared to fiscal year 2020. The decreases were primarily due to the reduction of the pension expense related to GASB Statement No. 68 as well as a reclassification of school deans from instruction to academic support in 2021.

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, 2021, 2020, and 2019:

Nonoperating Revenues and Expenses

	2021	2020	2019
	(In Millions)		
State appropriations	\$ 19.3	\$ 18.6	\$ 19.9
Federal grants and contracts	32.6	18.3	14.0
State grants and contracts	0.6	0.3	0.3
Interest on indebtedness	(0.8)	(0.8)	(1.1)
Investment income	0.1	0.7	0.6
Other	<u>2.1</u>	<u>3.1</u>	<u>2.3</u>
Total nonoperating revenues and expenses	<u>\$ 53.9</u>	<u>\$ 40.2</u>	<u>\$ 36.0</u>

Federal grants and contracts is the largest component of the University's nonoperating revenues followed by state appropriations. Federal grants and contracts increased by \$14.3 million in 2021 due to HEERF funding received by the University. State appropriations increased by \$0.7 million in 2021 as the state released withholdings related to the COVID-19 pandemic as compared to 2020. Other nonoperating revenues decreased by \$1.0 million in 2021 primarily due to a decrease in gifts/contributions as compared to 2020. Investment income decreased by \$0.6 million in 2021. The University has increased the number and value of long-term investments. The length of the investments and the volatile market has created fluctuations in the market value recorded as of June 30, resulting in an overall decrease in investment income which is temporary until the investments mature.

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, 2021, 2020, and 2019:

Cash Flows

	2021	2020	2019
	(In Millions)		
Cash Provided by (Used in)			
Operating activities	\$ (34.3)	\$ (35.1)	\$ (27.9)
Noncapital financing activities	48.0	40.0	36.3
Capital and related financing activities	(9.6)	(22.0)	12.2
Investing activities	<u>(4.3)</u>	<u>5.8</u>	<u>(2.8)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(0.2)	(11.3)	17.8
Cash and Cash Equivalents, Beginning of the Year	<u>15.3</u>	<u>26.6</u>	<u>8.8</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 15.1</u>	<u>\$ 15.3</u>	<u>\$ 26.6</u>

In fiscal year 2021, cash and cash equivalents decreased by \$0.2 million compared to 2020. Approximately \$34.3 million of cash was used for operating activities, offset by \$48.0 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 2021 was an overall decrease in cash used of \$0.8 million. The change in operating activities relates to the overall decrease in cash received from insurance proceeds offset by a decrease in cash paid to suppliers.

There was an increase in cash received from noncapital financing activities in 2021 of \$8.0 million. The change in noncapital financing activities was affected by an increase in HEERF funding offset by a decrease in gifts/contributions.

The decrease in cash used for capital and related financing activities in 2021 compared to 2020 was \$12.4 million was due to the timing of the refunding of the 2007 series revenue bonds in 2020 and 2019.

Cash used by investing activities in fiscal year 2021 was \$4.3 million compared to cash provided by investments of \$5.8 million in 2020. This is an increase in cash used of \$10.1 million. The University purchased \$12.0 million more in investments in 2021, while the sales of investments increased by \$2.5 million. Interest revenue decreased by \$0.6 million in fiscal year 2021 compared to 2020. 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.

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 HEERF 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.

Capital Assets

At June 30, 2021, the University had approximately \$87.8 million invested in capital assets, net of accumulated depreciation of approximately \$123.2 million. At June 30, 2020, the University had approximately \$81.5 million invested in capital assets, net of accumulated depreciation of approximately \$117.9 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, 2021, 2020, and 2019.

Capital Assets, Net

	2021	2020	2019
	(In Millions)		
Land and land improvements	\$ 7.0	\$ 7.2	\$ 7.4
Buildings	69.2	65.2	69.3
Furniture, fixtures, and equipment	6.1	5.0	3.7
Infrastructure	2.0	0.7	0.7
Library materials	0.1	0.1	0.1
Construction in progress	<u>3.4</u>	<u>3.3</u>	<u>0.6</u>
Total capital assets, net	\$ <u>87.8</u>	\$ <u>81.5</u>	\$ <u>81.8</u>

Major projects that began in fiscal year 2019 that continued 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.

Major projects that began in fiscal year 2020 and were completed in fiscal year 2021 include the reconstruction of the Dickinson Research Center that was destroyed by fire in fiscal year 2015; and the construction of new greenhouses in conjunction with the reconstruction of the Dickinson Research Center. Major projects that began in fiscal year 2020 that continued in fiscal year 2021 include the construction of the new extension facility in Sikeston, Missouri.

Major projects that began in fiscal year 2021 include the site preparation for the construction of greenhouse and agriculture buildings on Busby and Carver Farms. Delays in construction materials continue to cause major schedule conflicts.

Revenue Bonds

As of June 30, 2021, the University had approximately \$17.6 million in outstanding revenue bonds compared to \$18.5 million in 2020, a decrease of \$0.9 million.

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 refunding by the end of fiscal year 2019; however, the payment of the original 2007 revenue bond debt was not processed until fiscal year 2020.

Revenue Bond Debt

	2021	2020	2019
	(In Millions)		
Revenue bonds	\$ <u>17.6</u>	\$ <u>18.5</u>	\$ <u>35.6</u>

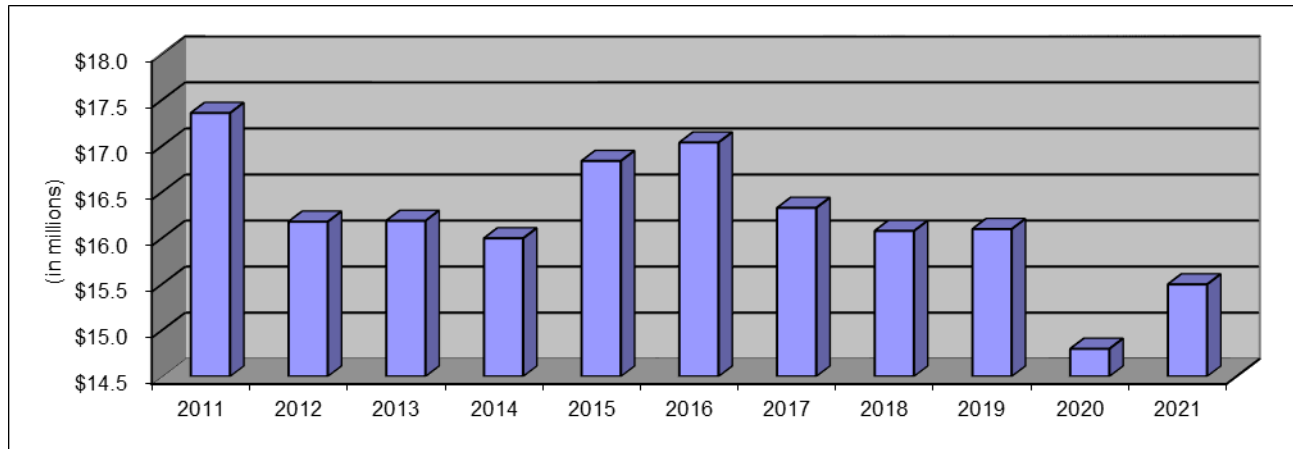
Student Enrollment

Following are highlights of student demographics for the fall 2020, 2019, and 2018 semesters of fiscal years 2021, 2020, and 2019, respectively.

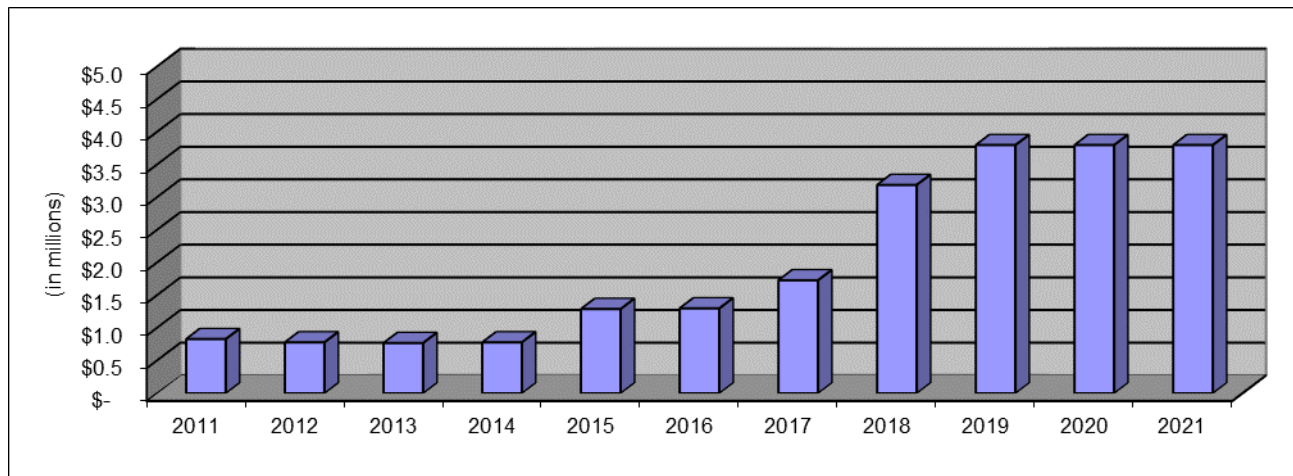
	2021	2020	2019
Undergraduate	1,892	2,323	2,377
Graduate	<u>120</u>	<u>113</u>	<u>101</u>
Total students	<u><u>2,012</u></u>	<u><u>2,436</u></u>	<u><u>2,478</u></u>
Full-time	1,354	1,640	1,730
Part-time	658	796	748
Male	800	986	1,040
Female	1,212	1,450	1,438
Credit hours generated	23,423	27,524	28,316
Student full-time equivalent	1,575	1,848	1,899
Resident	692	860	938
Commuter	<u>1,320</u>	<u>1,576</u>	<u>1,540</u>
Total students	<u><u>2,012</u></u>	<u><u>2,436</u></u>	<u><u>2,478</u></u>
In-state	1,502	1,854	1,877
Out-state	442	511	532
International	<u>68</u>	<u>71</u>	<u>69</u>
Total students	<u><u>2,012</u></u>	<u><u>2,436</u></u>	<u><u>2,478</u></u>
Total number of degrees awarded	312	362	459
Number of students in dual-credit courses	380	494	418
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><u>61</u></u>	<u><u>61</u></u>	<u><u>61</u></u>

Trends

Core State Appropriations by Fiscal Year

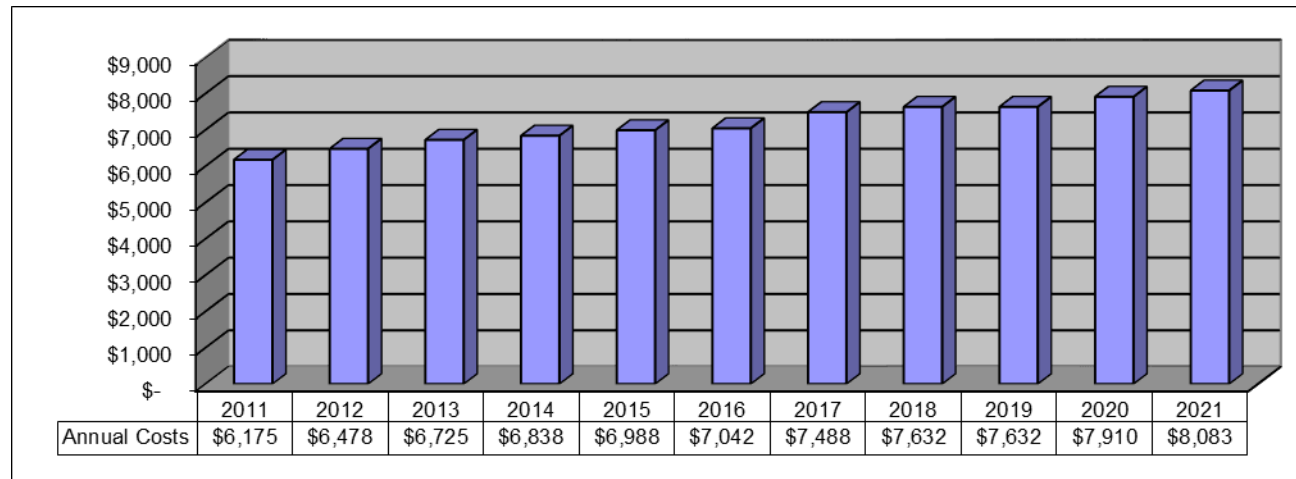


Land Grant Match State Appropriations by Fiscal Year

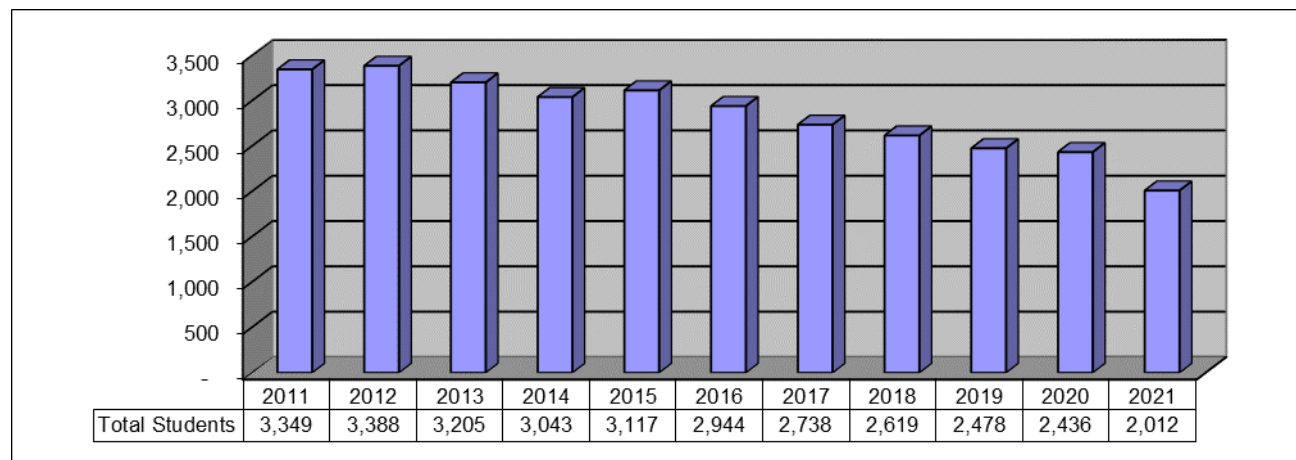


The University received approximately \$8.7 million in federal land grant capacity funding for fiscal year 2021. The land grant capacity funding must be matched on a dollar-for-dollar basis with state resources. As of 2021, the University received \$3.8 million in state appropriations for the land grant mission, leaving a match shortfall of \$4.9 million.

Full-Time Resident Tuition and Required Fees per Year



Student Enrollment for Fall Semesters by Fiscal Year



Fiscal Year 2022 Outlook

General Fund Operating Budget

The Lincoln University Board of Curators approved a \$36.8 million general fund operating budget for fiscal year 2022 in June 2021. The fiscal year 2022 budget was built on an anticipated 3.7 percent gross increase in core state appropriations, after restoration to 2020 original appropriation levels, and a \$1.0 million increase in gross land-grant match funding. The budget also anticipated a 10 percent reduction in undergraduate enrollment and a 5 percent drop in in-state graduate enrollment due to the ongoing pandemic. State appropriations remains the largest component of the general operating budget in 2022.

Capital Projects

Projects slated for completion in fiscal year 2022 include the new satellite Extension Office in Sikeston, Missouri, as well as the restoration of the President's Residence at 601 Jackson St. Upcoming projects identified for design and/or construction during fiscal year 2022 include construction on the Mitchell Hall rehabilitation project, Pawley Theatre renovation project, the KJLU Radio Station Relocation project, and construction of a new KJLU Radio Tower. Projects are/will be funded by Title III, 1890 facilities funds, local funds, insurance proceeds, and federal 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 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's accreditation was reaffirmed in 2019, and the next reaffirmation is scheduled for 2026.

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.

In May 2021, Dr. Jerald Woolfolk, 20th President of Lincoln University, announced her resignation. A presidential search firm has been chosen to assist the University in the selection of a new president. A committee made up of members of the University Board of Curators, faculty, staff, students, alumni, and stakeholders has been established to review qualified applicants. The committee anticipates that a new president will be selected no later than Spring 2022. Until a permanent president is appointed, Dr. John B. Moseley has been selected to serve as the Interim President. Dr. Moseley most recently served as the University's Athletic Director and the men's basketball head coach.

Lincoln University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 13,601,086	\$ 13,816,009
Short-term investments	11,061,547	16,319,771
Accounts receivable, net of allowance; 2021 – \$1,065,646, 2020 – \$804,409	1,084,269	809,217
Federal and state grants receivable	11,026,527	5,692,931
Prepaid expenses	11,257	4,244
Promises to give	215,000	115,000
Other	232,598	213,147
	<hr/>	<hr/>
Total current assets	37,232,284	36,970,319
	<hr/>	<hr/>
Noncurrent Assets		
Restricted cash equivalents	1,509,664	1,524,894
Short-term endowment investments	327,695	487,390
Long-term endowment investments	2,219,802	1,009,685
Long-term investments	8,593,449	-
Bond insurance costs	171,624	182,351
Capital assets, net	87,817,577	81,472,285
	<hr/>	<hr/>
Total noncurrent assets	100,639,811	84,676,605
	<hr/>	<hr/>
Total assets	137,872,095	121,646,924
	<hr/>	<hr/>
Deferred Outflows of Resources		
Loss on refunding of bonds	304,850	403,299
Deferred outflows of resources related to pension	7,209,003	8,730,000
	<hr/>	<hr/>
Total deferred outflows of resources	7,513,853	9,133,299
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 145,385,948	\$ 130,780,223
	<hr/> <hr/>	<hr/> <hr/>

Liabilities, Deferred Inflows of Resources, and Net Position

	2021	2020
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,788,199	\$ 2,660,212
Accrued compensated absences	790,967	549,565
Unearned revenue	4,817,127	2,815,865
Current portion of long-term debt	1,158,594	1,072,002
Total current liabilities	<u>9,554,887</u>	<u>7,097,644</u>
Noncurrent Liabilities		
Other noncurrent liabilities	9,825	10,645
Accrued compensated absences	572,769	728,493
Total other postemployment benefit liability	551,920	558,287
Long-term debt	19,036,076	20,311,290
Net pension liability	47,253,976	45,197,670
Total noncurrent liabilities	<u>67,424,566</u>	<u>66,806,385</u>
Total liabilities	<u>76,979,453</u>	<u>73,904,029</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	<u>1,085,093</u>	<u>1,837,898</u>
Net Position		
Net investment in capital assets	71,499,928	66,198,643
Restricted nonexpendable for endowment	311,564	56,814
Restricted expendable for		
Research	427,030	331,198
Debt service	62,764	77,993
Term endowment	2,384,828	2,275,939
Other	2,125,378	1,971,983
Unrestricted (deficit)	<u>(9,490,090)</u>	<u>(15,874,274)</u>
Total net position	<u>67,321,402</u>	<u>55,038,296</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 145,385,948</u>	<u>\$ 130,780,223</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$8,197,939 – 2021 and \$8,036,351 – 2020 and bad debt expense of \$552,812 – 2021 and \$428,058 – 2020)	\$ 4,024,449	\$ 5,388,829
Federal grants and contracts	584,937	183,279
Sales and services of educational activities	8,022	22,744
Auxiliary enterprises (net of scholarship allowances of \$237,561 – 2021 and \$256,818 – 2020 and bad debt expense of \$138,203 – 2021 and \$107,014 – 2020)	4,582,907	5,041,597
Other	257,094	3,303,430
Total operating revenues	<u>9,457,409</u>	<u>13,939,879</u>
Operating Expenses		
Compensation and benefits	32,496,962	34,438,381
Contractual services	8,920,500	10,124,450
Travel	377,755	846,329
Supplies and materials	1,885,330	1,647,137
Scholarships and fellowships	1,656,725	983,667
Depreciation and amortization	5,722,090	5,689,257
Communications	81,393	74,269
Utilities	1,801,767	1,794,957
Other	1,824,655	1,771,921
Total operating expenses	<u>54,767,177</u>	<u>57,370,368</u>
Operating Loss	<u>(45,309,768)</u>	<u>(43,430,489)</u>
Nonoperating Revenues (Expenses)		
State appropriations	19,296,804	18,604,326
Federal grants and contracts	32,601,077	18,287,540
Recovery of administrative costs	6,372	7,710
State and local grants and contracts	654,271	282,758
Contributions	708,659	1,622,858
Student fees for capital projects	190,445	394,978
Gain (loss) on disposal of capital assets	9,745	(34,947)
Investment income	87,467	687,790
Interest on capital asset-related debt	(793,810)	(836,233)
Other nonoperating revenues	1,141,382	1,198,942
Net nonoperating revenues (expenses)	<u>53,902,412</u>	<u>40,215,722</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Gain (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$ 8,592,644	\$ (3,214,767)
Capital Grants and Gifts	<u>3,690,461</u>	<u>1,606,754</u>
Increase (Decrease) in Net Position	12,283,105	(1,608,013)
Net Position, Beginning of Year	<u>55,038,296</u>	<u>56,646,309</u>
Net Position, End of Year	<u><u>\$ 67,321,401</u></u>	<u><u>\$ 55,038,296</u></u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Tuition and fees	\$ 4,433,642	\$ 4,998,722
Grants and contracts	584,937	183,279
Payments to suppliers	(14,622,754)	(19,006,821)
Payments to employees	(29,411,481)	(29,590,454)
Sales and services of auxiliary enterprises	4,437,128	5,088,084
Sales and services of educational activities	8,022	22,744
Other receipts and deposits	236,824	3,166,378
Net cash used in operating activities	<u>(34,333,682)</u>	<u>(35,138,068)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	19,296,804	18,604,326
Gifts and grants for other than capital purposes	27,513,316	20,198,609
Other receipts	1,147,755	1,206,652
Net cash provided by noncapital financing activities	<u>47,957,875</u>	<u>40,009,587</u>
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts	4,357,210	557,688
Student fees for capital projects	190,445	394,978
Purchase of capital assets	(12,216,593)	(4,747,801)
Principal paid on capital debt	(1,072,001)	(17,288,811)
Interest paid on capital debt	(815,227)	(886,954)
Net cash used in capital and related financing activities	<u>(9,556,166)</u>	<u>(21,970,900)</u>
Cash Flows from Investing Activities		
Investment income	87,467	687,790
Proceeds from sales and maturities of investments	30,223,745	27,727,117
Purchases of investments	(34,609,392)	(22,614,781)
Net cash provided by (used in) investing activities	<u>(4,298,180)</u>	<u>5,800,126</u>
Decrease in Cash and Cash Equivalents	<u>(230,153)</u>	<u>(11,299,255)</u>
Cash and Cash Equivalents, Beginning of Year	<u>15,340,903</u>	<u>26,640,158</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 15,110,750</u></u>	<u><u>\$ 15,340,903</u></u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 13,601,086	\$ 13,816,009
Restricted cash equivalents	<u>1,509,664</u>	<u>1,524,894</u>
Total cash and cash equivalents	<u><u>\$ 15,110,750</u></u>	<u><u>\$ 15,340,903</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (45,309,768)	\$ (43,430,489)
Depreciation and amortization	5,722,090	5,689,257
Changes in operating assets, liabilities, and deferred outflows/inflows		
Receivables, net	55,838	(351,805)
Prepaid expenses, bond insurance costs, and other assets	(7,013)	(532)
Deferred outflows of resources related to pension	1,520,997	2,757,481
Accounts payable and accrued liabilities	2,302,182	(1,970,466)
Other noncurrent liabilities	(820)	(3,225)
Accrued compensated absences	85,678	125,952
Total other postemployment benefit liability	(6,367)	(66,408)
Net pension liability	2,056,306	3,707,020
Deferred inflows of resources related to pension	<u>(752,805)</u>	<u>(1,594,853)</u>
Net cash used in operating activities	<u><u>\$ (34,333,682)</u></u>	<u><u>\$ (35,138,068)</u></u>
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 446,544	\$ 616,228

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020

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 for each of the years ended June 30, 2021 and 2020.

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

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2021 and 2020

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.

No impairment loss was recognized during the years ended June 30, 2021 and 2020.

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, 2021 and 2020

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, 2021 and 2020

- 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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2021 and 2020

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.

Change in Accounting Principles

In 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These statements provide improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and mitigate the costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment plans, and other employee benefit plans; and enhances the relevance of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans. No changes to the University's financial statements occurred as a result of the adoption of these standards.

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.

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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, 2021 and 2020, the University's bank balances were \$13,990,921 and \$14,418,783, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2021 and 2020.

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, 2021 and 2020, the University had the following investments and maturities:

June 30, 2021					
Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 1,811,264	\$ 576,759	\$ 1,159,210	\$ -	\$ 75,295
U.S. Treasury obligations	3,515,780	3,515,780	-	-	-
Money market treasury funds	1,447,006	1,447,006	-	-	-
Government-sponsored enterprises obligations	16,875,449	7,296,703	9,578,746	-	-
	<u>\$ 23,649,499</u>	<u>\$ 12,836,248</u>	<u>\$ 10,737,956</u>	<u>\$ -</u>	<u>\$ 75,295</u>
June 30, 2020					
Type	Fair Value	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>

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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.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the University's investments in government-sponsored enterprises obligations of the following entities constituted the following percentages of total investments:

	2021	2020
Federal Farm Credit Bank (FFCB)	8%	0%
Federal Home Loan Mortgage Corporation (FHLMC)	20%	5%
Federal Home Loan Bank (FHLB)	41%	44%
Federal National Mortgage Association (FNMA)	2%	0%

Summary of Carrying Values

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

	2021	2020
Carrying value		
Deposits	\$ 13,663,744	\$ 13,877,813
Investments	23,649,499	19,279,936
	<u>\$ 37,313,243</u>	<u>\$ 33,157,749</u>

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

	2021	2020
Cash and cash equivalents	\$ 13,601,086	\$ 13,816,009
Short-term investments	11,061,547	16,319,771
Restricted cash equivalents	1,509,664	1,524,894
Short-term endowment investments	327,695	487,390
Long-term endowment investments	2,219,802	1,009,685
Long-term investments	8,593,449	-
	<u>\$ 37,313,243</u>	<u>\$ 33,157,749</u>

Investment Income

Investment income for the years ended June 30, 2021 and 2020, consisted of:

	2021	2020
Interest and dividend income	\$ 228,058	\$ 482,251
Net realized and unrealized losses on investments	<u>(140,591)</u>	<u>205,539</u>
	<u>\$ 87,467</u>	<u>\$ 687,790</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, 2021 and 2020, \$0 and \$100,000, 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, 2021 and 2020, were:

	Beginning Balance	2021 Additions	2021 Disposals	Transfers	Ending Balance
Land	\$ 3,871,667	\$ 10,500	\$ -	\$ -	\$ 3,882,167
Land improvements	7,032,677	122,479	-	-	7,155,156
Buildings and improvements	146,845,415	5,518,486	-	2,436,357	154,800,258
Infrastructure	5,072,274	1,394,255	-	-	6,466,529
Furniture, fixtures, and equipment	31,029,540	2,508,284	432,820	-	33,105,004
Library materials	2,165,794	4,583	-	-	2,170,377
Construction in progress	3,321,822	2,507,115	-	(2,436,357)	3,392,580
	<u>199,339,189</u>	<u>12,065,702</u>	<u>432,820</u>	<u>-</u>	<u>210,972,071</u>
Less accumulated depreciation					
Land improvements	3,654,421	350,618	-	-	4,005,039
Buildings and improvements	81,655,576	3,933,805	-	-	85,589,381
Infrastructure	4,330,893	104,794	-	-	4,435,687
Furniture, fixtures, and equipment	26,068,060	1,320,224	423,773	-	26,964,511
Library materials	2,157,954	1,922	-	-	2,159,876
	<u>117,866,904</u>	<u>5,711,363</u>	<u>423,773</u>	<u>-</u>	<u>123,154,494</u>
Net capital assets	<u>\$ 81,472,285</u>	<u>\$ 6,354,339</u>	<u>\$ 9,047</u>	<u>\$ -</u>	<u>\$ 87,817,577</u>

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	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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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Note 5: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2015A	\$ 224,550	\$ -	\$ 224,550	\$ -	\$ -
Series 2015B	2,062,819	-	411,599	1,651,220	416,897
Series 2017	1,727,197	-	247,217	1,479,980	249,270
Series 2019	14,515,000	-	-	14,515,000	300,000
Loan payable – DNR					
Energize MO	871,169	-	188,635	682,534	192,427
Reoffering premium	1,982,557	-	116,621	1,865,936	-
Total long-term debt	<u>21,383,292</u>	<u>-</u>	<u>1,188,622</u>	<u>20,194,670</u>	<u>1,158,594</u>
Other noncurrent liabilities					
Accrued compensated absences	1,278,058	874,961	789,283	1,363,736	790,967
Deposits held in custody for others	10,645	-	820	9,825	-
Total other postemployment benefits liability	558,287	57,906	64,273	551,920	-
Net pension liability	45,197,670	5,294,564	3,238,258	47,253,976	-
Total other noncurrent liabilities	<u>47,044,660</u>	<u>6,227,431</u>	<u>4,092,634</u>	<u>49,179,457</u>	<u>790,967</u>
Total noncurrent liabilities	<u>\$ 68,427,952</u>	<u>\$ 6,227,431</u>	<u>\$ 5,281,256</u>	<u>\$ 69,374,127</u>	<u>\$ 1,949,561</u>

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	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
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>

Revenue Bonds Payable

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.

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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.

The debt service requirements as of June 30, 2021, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	1,717,985	1,087,655	630,330
2027 – 2031	7,438,307	5,012,756	2,425,551
2032 – 2036	7,226,350	6,120,000	1,106,350
2037 – 2041	1,445,600	1,390,000	55,600
	<u>\$ 24,756,108</u>	<u>\$ 17,646,200</u>	<u>\$ 7,109,908</u>

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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, 2021, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
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
	\$ 709,869	\$ 682,534	\$ 27,335

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

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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.

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 31.

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, 2021, was 22.88 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, 2020 and 2019, was 21.77 percent and 20.21 percent, respectively, which are the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$3,352,767 and \$3,238,148 for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021 and 2020, the University reported a liability of \$47,253,976 and \$45,197,670, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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 years ended June 30, 2020 and 2019. At June 30, 2020, the University's proportion was 0.7444 percent, which was a decrease of 0.0038 percent from its proportion measured as of June 30, 2019. 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.

There were no changes in benefit terms during the MOSERS plan years ended June 30, 2020 and 2019, that affected the measurement of total pension liability.

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$6,177,375 and \$8,107,797, respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,400	\$ 490,813
Changes of assumptions	1,248,968	-
Net difference between projected and actual earning on pension plan investments	2,508,741	-
Changes in University proportion and differences between the University's contributions and the University proportionate share of contributions	77,127	594,280
University's contributions subsequent to the measurement date	<u>3,352,767</u>	<u>-</u>
Total	<u><u>\$ 7,209,003</u></u>	<u><u>\$ 1,085,093</u></u>

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	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
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>

At June 30, 2021 and 2020, the University reported \$3,352,767 and \$3,238,148, 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, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2022	\$ 1,218,405
2023	730,836
2024	602,425
2025	<u>219,477</u>
	<u><u>\$ 2,771,143</u></u>

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Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2020: 2.25%, 2019: 2.35%
Salary increases	2020: 2.75% to 8.25% including inflation 2019: 2.85% to 8.35% including inflation
Wage inflation	2020: 2.25%, 2019: 2.35%
Investment rate of return	2020: 6.95%, compounded annually, net after investment expenses and including inflation 2019: 7.10%, compounded annually, net after investment expenses and including inflation

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate from 7.10 percent to 6.95 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate from 7.25 percent to 7.10 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

Mortality rates used in the June 30, 2020 and 2019, 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, 2020 and 2019, are summarized in the following table:

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Asset Class	Policy Allocation	Long-Term Expected Real Rate of Return*	Weighted Average Long-Term Expected Real Rate of Return
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%)	1.00%	(0.70%)
	<u>100.00%</u>		<u>8.4%</u>

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

Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent and 7.10 percent at June 30, 2020 and 2019, 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 6.95 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 (5.95 percent) or 1 percentage point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
University's proportionate share of the net pension liability	\$ 59,168,741	\$ 47,253,976	\$ 37,232,730

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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, 2021 and 2020, the University reported a payable of \$18,270 and \$10,364, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2021 and 2020, respectively.

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 2021 and 2020. The University's contributions to the plan for the years ended June 30, 2021 and 2020, were \$262,644 and \$267,639, 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.

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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.

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 \$81.60 to \$102 per month and from \$74.70 to \$91.90 per month for the years ended June 30, 2021 and 2020, respectively. Medicare Supplement premiums, which are Issue-Age rated, ranged from \$163.02 to \$302.33 per month and from \$155.18 to \$287.85 per month for the years ended June 30, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020, respectively.

The employees covered by the benefit terms at June 30, 2021 and 2020, are:

	2021	2020
Professor emeritus retirees receiving health and prescription drug coverage	12	14
Retirees receiving group life insurance coverage	1	1
	<u>13</u>	<u>15</u>

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Total OPEB Liability

The University's total OPEB liability of \$551,920 and \$558,287 was measured as of June 30, 2021 and 2020, respectively, for the years then ended, and was determined by actuarial valuations as of those dates.

The total OPEB liability in the June 30, 2021 and 2020, actuarial valuation was determined using the following actuarial assumptions:

Discount rate	2021: 2.00%, 2020: 2.60%
Health care cost trend rates	2021: 4.50% per year for Medicare Supplement coverage; 4.50% per year for prescription drug coverage
	2020: 4.50% per year for Medicare Supplement coverage; 5.50% per year 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, 2021, valuation were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount weighted Teachers Mortality Tables using Scale MP-2020 Full Generational Improvement.

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.

The actuarial assumptions used in the June 30, 2021 and 2020, valuations were based on the ongoing actuarial analysis.

Changes in Total OPEB Liability

Changes in total OPEB liability are:

	2021	2020
Balance, beginning of year	\$ 558,287	\$ 624,695
Interest	13,911	17,911
Changes in assumptions and inputs	43,995	(45,284)
Differences between actual and expected experience	(17,797)	16,315
Benefit payments	(46,476)	(55,350)
Net changes	(6,367)	(66,408)
Balance, end of year	\$ 551,920	\$ 558,287

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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 2.00 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
University's total OPEB liability	\$ 597,117	\$ 551,920	\$ 512,287

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:

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
University's total OPEB liability	\$ 515,484	\$ 551,920	\$ 592,490

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

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$40,109 and \$(11,058), respectively. At June 30, 2021 and 2020, 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.

Lincoln University
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Notes to Financial Statements
June 30, 2021 and 2020

Note 8: Commitments and Contingencies

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University. At June 30, 2021 and 2020, 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, 2023, and thereafter until the parties agree on a successor agreement or reach impasse. This represents 18 percent and 20 percent, respectively, of the University's employees at June 30, 2021 and 2020.

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Notes to Financial Statements
June 30, 2021 and 2020

Note 9: Natural Classifications with Functional Classifications

For the years ended June 30, 2021 and 2020, the following tables represent operating expenses with both natural and functional classifications:

	Compensation and Benefits	Contractual Services	Travel	2021 Supplies and Materials	Utilities	Communications and Other	Total
Instruction	\$ 9,101,175	\$ 323,153	\$ 1,673	\$ 120,759	\$ 731	\$ 127,292	\$ 9,674,783
Research	4,070,812	1,218,774	15,661	478,053	217,603	151,505	6,152,408
Community service	4,770,884	689,951	76,846	401,224	117,602	276,020	6,332,527
Academic support	3,624,288	51,690	2,892	116,100	4,735	210,933	4,010,638
Student services	4,201,365	411,756	245,525	219,051	914	286,294	5,364,905
Institutional support	6,511,274	3,427,844	34,836	491,875	234,591	830,667	11,531,087
Operations and maintenance of plant	217,164	2,797,332	322	58,268	1,225,591	23,337	4,322,014
Scholarships and fellowships	-	-	-	-	-	1,656,725	1,656,725
Depreciation and amortization	-	-	-	-	-	5,722,090	5,722,090
	<u>\$ 32,496,962</u>	<u>\$ 8,920,500</u>	<u>\$ 377,755</u>	<u>\$ 1,885,330</u>	<u>\$ 1,801,767</u>	<u>\$ 9,284,863</u>	<u>\$ 54,767,177</u>

	Compensation and Benefits	Contractual Services	Travel	2020 Supplies and Materials	Utilities	Communications and Other	Total
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	983,667
Depreciation and amortization	-	-	-	-	-	5,689,257	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>\$ 8,519,114</u>	<u>\$ 57,370,368</u>

Lincoln University
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Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020:

Description	Total	2021		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 1,811,264	\$ 1,811,264	\$ -	\$ -
Money market treasury funds	1,447,006	1,447,006	-	-
U.S. Treasury obligations	3,515,780	3,515,780	-	-
Government-sponsored enterprises obligations	16,875,449	-	16,875,449	-
Total investments measured at fair value	<u>\$ 23,649,499</u>	<u>\$ 6,774,050</u>	<u>\$ 16,875,449</u>	<u>\$ -</u>

Description	Total	2020		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 2,976,341	\$ 2,976,341	\$ -	\$ -
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>\$ 19,279,936</u>	<u>\$ 9,733,696</u>	<u>\$ 9,546,240</u>	<u>\$ -</u>

Lincoln University
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Notes to Financial Statements
June 30, 2021 and 2020

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.

Note 12: Subsequent Events

Lincoln University Foundation, Inc.

The 62nd & 65th Regiments Legacy Foundation Inc., f/k/a Lincoln University Foundation, Inc., (the “Foundation”) is a Missouri nonprofit corporation that was formed in the 1970s for the purpose of conducting certain fundraising activities for the benefit of the University.

The University terminated its Memorandum of Understanding with the Foundation in 2018, which resulted in the 2020 receipt of \$959,635 which was recognized in contributions in the June 30, 2020, statement of revenues, expenses, and changes in net position. In November 2021, the University established a new Memorandum of Understanding with the Foundation for the two parties to have an arrangement for the Foundation to provide scholarships to University students.

Required Supplementary Information

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

	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	0.7444%	0.7482%	0.7438%	0.8186%	0.8224%	0.8660%	0.8448%
University's proportionate share of the net pension liability	\$ 47,253,976	\$ 45,197,670	\$ 41,490,650	\$ 42,624,658	\$ 38,177,503	\$ 27,798,365	\$19,918,271
University's covered-employee payroll	\$ 14,874,862	\$ 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	317.68%	310.97%	287.00%	264.55%	239.69%	165.92%	125.65%
Plan fiduciary net position as a percentage of the total pension liability	55.48%	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.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,352,767	\$ 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	3,352,767	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	\$ 14,659,572	\$ 14,874,862	\$ 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	22.88%	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, 2020 or 2019. 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 7.10 percent to 6.95 percent for the June 30, 2020, valuation. The salary increase rate was reduced from 2.85 percent to 2.75 percent. The wage inflation rate was reduced from 2.35 percent to 2.25 percent. There were no other changes in actuarial assumptions for the June 30, 2020, valuation.

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.

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

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.

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.

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 Four Fiscal Years

	2021	2020	2019	2018
Total OPEB Liability				
Interest	\$ 13,911	\$ 17,911	\$ 25,190	\$ 26,642
Changes in assumptions and inputs	43,995	(45,284)	(91,004)	2,016
Differences between actual and expected experience	(17,797)	16,315	(44,081)	-
Benefit payments	<u>(46,476)</u>	<u>(55,350)</u>	<u>(57,514)</u>	<u>(63,679)</u>
Net Change in Total OPEB Liability	(6,367)	(66,408)	(167,409)	(35,021)
Total OPEB Liability – Beginning	<u>558,287</u>	<u>624,695</u>	<u>792,104</u>	<u>827,125</u>
Total OPEB Liability – Ending	<u><u>\$ 551,920</u></u>	<u><u>\$ 558,287</u></u>	<u><u>\$ 624,695</u></u>	<u><u>\$ 792,104</u></u>
Covered-Employee Payroll*	\$ -	\$ -	\$ -	\$ -
Total OPEB Liability as a Percentage of Covered-Employee Payroll	N/A	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.

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 Four Fiscal Years

Notes to Schedule

Benefit Changes

There were no changes to benefit terms for the years ended June 30, 2021, 2020, 2019, or 2018.

Changes of Assumptions

The following changes were made to actuarial assumptions during the year ended June 30, 2021:

- The retiree per capita costs and trend assumptions were updated as part of the actuarial evaluation. The 2021 Medical and Rx renewals resulted in actuarial losses as premiums increased greater than assumed.
- The mortality assumption was changed from Society of Actuaries Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement to the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-weighted Teachers Mortality Tables using Scale MP-2020 Full Generational Improvement.
- The discount rate was changed from 2.60 percent to 2.00 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 2.

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.

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 Four Fiscal Years

- 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.

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, 2021 and 2020

	2021					
	Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	Total
Revenues						
Residence hall contracts	\$ 2,680,649	\$ -	\$ -	\$ -	\$ -	\$ 2,680,649
Housing system appropriation	190,445	-	-	-	-	190,445
Food service	-	2,238,694	-	-	-	2,238,694
Bookstore	-	-	15,616	-	-	15,616
Other	-	-	-	1,949	-	1,949
Vending	-	-	-	21,763	-	21,763
	<u>2,871,094</u>	<u>2,238,694</u>	<u>15,616</u>	<u>23,712</u>	<u>-</u>	<u>5,149,116</u>
Direct Expenses						
Salaries and wages	265,815	-	-	-	15,292	281,107
Fringe benefits	121,127	-	-	1,373	6,988	129,488
Equipment purchases	-	-	-	-	-	-
Contractual services	885,224	1,472,232	1,620	-	149,802	2,508,878
Travel	4,208	-	-	-	-	4,208
Supplies, cost of sales	13,908	7,846	-	-	-	21,754
Communications	6,807	(6,388)	-	-	1,440	1,859
Utilities	709,082	-	-	240	365	709,687
Other operating	299,609	-	-	6,588	99	306,296
	<u>2,305,780</u>	<u>1,473,690</u>	<u>1,620</u>	<u>8,201</u>	<u>173,986</u>	<u>3,963,277</u>
Excess (Deficiency) of Revenues Over Direct Expenses	<u>\$ 565,314</u>	<u>\$ 765,004</u>	<u>\$ 13,996</u>	<u>\$ 15,511</u>	<u>\$ (173,986)</u>	<u>1,185,839</u>
Indirect Expenses						
Bad debts						138,203
Audit						11,775
						<u>149,978</u>
Excess of Revenues Over Expenses						1,035,861
Transfers In						2,347,197
Mandatory Transfer for Principal and Interest on Indebtedness						(1,363,687)
Nonmandatory Transfer to Plant Fund						<u>(1,712,196)</u>
Net Increase for the Year						307,175
Net Position, Beginning of Year						<u>3,762,213</u>
Net Position, End of Year						<u>\$ 4,069,388</u>

2020					
Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	Total
\$ 2,938,336	\$ -	\$ -	\$ -	\$ -	\$ 2,938,336
394,978	-	-	-	-	394,978
-	2,386,401	-	-	-	2,386,401
-	-	19,296	-	-	19,296
-	-	-	36,373	-	36,373
-	-	-	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>
306,870	-	-	77,599	13,104	397,573
126,281	-	-	19,714	7,263	153,258
1,699	21,976	-	1,234	-	24,909
1,168,599	1,569,250	-	136	180,327	2,918,312
7,244	-	-	-	-	7,244
86,936	7,746	-	211	-	94,893
7,986	(6,190)	-	968	1,440	4,204
714,818	-	-	-	320	715,138
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>
<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>
					107,014
					<u>12,547</u>
					<u>119,561</u>
					1,002,804
					1,168,411
					(1,503,186)
					<u>(300,000)</u>
					368,029
					<u>3,394,184</u>
					<u>\$ 3,762,213</u>

Lincoln University
A Component Unit of the State of Missouri
Athletic Facilities Revenue Fund
Schedule of Revenues and Expenses
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues		
Student athletic fees		
Student athletic fees	\$ 488,089	\$ 447,079
Student experience expenses	-	(3,366)
Net student athletic fees	488,089	443,713
Football ticket sales	-	14,895
Facility rental fees	1,900	11,610
	<u>489,989</u>	<u>470,218</u>
Direct Expenses		
Property insurance	1,285	4,676
Custodial and grounds	117,058	112,010
Utilities	49,053	54,719
Other	-	21,995
	<u>167,396</u>	<u>193,400</u>
Excess of Revenues Over Direct Expenses	322,593	276,818
Transfers In	165,496	166,895
Transfers Out	(185,432)	(134,845)
Mandatory Transfer for Principal and Interest on Indebtedness	<u>(302,657)</u>	<u>(308,868)</u>
Net Increase (Decrease) for the Year	-	-
Net Position, Beginning of Year	<u>200,455</u>	<u>200,455</u>
Net Position, End of Year	<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, 2021 and 2020.

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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		\$ -	\$ 4,450,881
Federal Work-Study Program	84.033		-	158,734
Federal Supplemental Educational Opportunity Grants	84.007		-	73,351
Federal Direct Student Loans	84.268		-	7,468,726
Total Student Financial Assistance Cluster			-	12,151,692
Research and Development Cluster				
U.S. Department of Agriculture				
Cooperative Research, Education and Extension Service	10.205		-	4,294,519
A Circle of Green Project: Strengthening Extension, Outreach and K-14 Education to Promote Green Farms & Schools	10.216		-	167,687
Assessments of the Impact of Cryptic E. Coli on Current Water Quality Monitoring and Management	10.216		5,365	56,086
Improving Drinking Water Safety for Small Rural Community Through Toxic Disinfection Byproduct Control by Advanced Chemical Oxidation	10.216		-	2,641
Recruitment/Retention at Lincoln University through Experiential Learning, Curriculum Development/Changes and Partnerships with Missouri High Schools	10.216		-	42,100
Evaluation of Soilless Root Support Substrates for Control of Nitrate & Phosphorus Pollution from Vegetable Production in Non-Recirculating Hydroponic Systems	10.216		-	60,871
Increased Body Mass Index Resulting in Decreased Oral Fat Sensitivity: Implications in Biomarkers of Obesity and Metabolic Syndrome	10.216		-	25,948
Evaluation of Promising Quinoa Lines in the Midwest for Enhanced Food Security and Sustainability	10.216		586	60,998
Building Research, Extension and Outreach/Education Capacity to Establish Industrial Hemp Production in the Midwest	10.216		-	1,303
Efficient Nanotechnology Methodology	10.216		64,501	106,097
Spatial Variability of Soil Greenhouse Gas Emissions & Soil Microbial Diversity & Function in Conventional & Alternate Land Use Systems in Floodplain Soils	10.216		118,097	191,322
Disseminating Geospatial Information Science & Technology Knowledge to K-12 Educators & Youth	10.216		-	37,327
Community Based Technical Assistance and Training Reaching New Audiences to Help Small Processors Reach FSMA Compliance	10.328		-	75,197
Development of a Community Culinary Incubator to Improve Food Safety and Value-Added Opportunities for Small Farmers, Producers, Processors and potential entrepreneurs (FPPE)	10.328		-	52,279
Scale Appropriate Strategies: Cover Crop-Based No-Till Systems for Small Vegetable Farmers	10.307		-	96,912
Use of Endophytic Pseudomonas SPP to Improve Food Safety of Lettuce While Eliminating the Postharvest Sanitation	10.310		-	26,440
1890 Agricultural Scholarships Program	10.524		-	466,936
U.S. Department of Agriculture/Iowa State University of Science & Technology Implementation of FSMA in the North Central Region through Adoption of a Systems Approach and Stakeholder Engagement	10.328	4136031G	-	985
U.S. Department of Agriculture/University of Missouri Development and Implementation of a Customized and Culturally Sensitive FSMA Supplemental Training Program for Hmong Farmers	10.328	C00070735-1	-	11,148
U.S. Department of Agriculture/Missouri Department of Agriculture Potential of Brussel Sprouts for Production and Consumption in Missouri	10.170	8	-	9,765

The accompanying notes are an integral part of this Schedule.

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued)				
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	\$ -	\$ 7,608
U.S. Department of Agriculture/Iowa State University				
Optimizing Mesotunnel Systems for Sustainable Production of Cucurbit Crops	10.215	4104109A	-	2,973
National Science Foundation				
Unraveling the Elemental Abundances and Dust Properties of the Interstellar Medium	47.076		-	23,049
A Pathway to Equity: Recruiting and Retaining Underrepresented Populations in STEM Education	47.076		-	64,861
Building Accessible Pathways for a Broad Workforce of Mathematics and Science Teachers	47.076		12,247	22,185
Excellence in Research: Elucidating Uptake Mechanisms in Silver/Zinc Oxide Nanoparticles into Food Crops and Transport through Soil Ecosystems	47.041		66,743	106,837
EIR: Incorporating Attention into Computational Auditory Scene Analysis Using Spectral Clustering with Focal Templates	47.070		-	6,129
National Science Foundation/Harris-Stowe State University				
MoLSAMP	47.076		-	67,698
Total Research and Development Cluster			267,539	6,087,901
Cooperative Extension Service				
U.S. Department of Agriculture				
CES: Capital Improvements	10.500		-	3,685,723
U.S. Department of Agriculture/University of Missouri				
Missouri AgrAbility Program	10.500	C00063072-2	-	13,945
			-	3,699,668
Soil and Water Conservation				
U.S. Department of Agriculture				
Promoting the Use of GIS Technology	10.902		-	139,376
Outreach to the Minority and Limited Resources Farmers to Promote Public Awareness and Implementation of Farm Bill Activities	10.902		-	99,105
Conduct Outreach Events and Activities to Promote NRCS Programs and Services and to get Farmers in SE and Central Missouri	10.902		-	52,562
Providing Soil Health Training and Workshops for Historically Underserved Landowners	10.902		-	15,136
			-	306,179

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Cooperative Forestry Research				
U.S. Department of Agriculture				
McIntire Stennis Cooperative Forestry Act Funds FY19	10.202		\$ -	\$ 25,296
McIntire Stennis Cooperative Forestry Act Funds FY20	10.202		-	52,686
			<u>-</u>	<u>77,982</u>
U.S. Department of Agriculture/1890 Universities Foundation				
Value Added Systems and Technologies in the Fifth Thrust Area	10.523		-	24,405
U.S. Department of Agriculture/North Carolina A&T State University				
1890 Centers of Excellence to Motivate and Educate for Achievement (MEA)	10.523		-	23,686
			<u>-</u>	<u>48,091</u>
U.S. Department of Agriculture				
U.S. Department of Agriculture/University of Minnesota/University of Missouri				
2017 – 2018 NCR – SARE	10.215	C00057882-1	-	4,651
U.S. Department of Agriculture/University of Minnesota Entrepreneurial				
Sustainable Agriculture for Latinx and Limited Resource Producers in Missouri	10.215	H008917102	-	10,330
U.S. Department of Agriculture/University of Minnesota 2021 - 2022 NCR-SARE				
State Plan	10.215	H008568320	-	5,370
Agriculture Extension at 1890 Land-Grant Institutions Program	10.512		-	3,459,417
EFNEP – Expanded Food Nutritional Program	10.514		-	134,093
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers	10.443		-	14,367
Entrepreneurship and Marketing Capacity Building to Access Specialty and				
High-Value Markets amongst Latino Farmers in Missouri and Nebraska	10.311		5,026	33,916
U.S. Department of Agriculture/MO Department of Agriculture				
Pest Management to Enhance the Profitability of Missouri Elderberry			-	2,616
U.S. Department of Health and Human Services/Missouri Department				
of Health and Senior Services				
Implementation of Violence Prevention Strategy	93.136	AOC16380122	-	24,254
Implementation of Violence Prevention Strategy	93.136	AOC16380122	-	30,314
			<u>-</u>	<u>54,568</u>
U.S. Department of Health and Human Services/Missouri Department				
of Insurance				
Providing Educational Opportunities for Seniors through the Lunch	93.000		-	2,482
and Learn Series and Senior Summer School				
Higher Education Institutional Aid				
U.S. Department of Education				
Title III SAFRA – FY15 Awards	84.031B		-	590,782
Title III – Part B – FY17 Awards	84.031B		-	1,994,074
Title III – Part B – FY21 Awards	84.031B		-	23,123
Title III – Part F – FY21 Awards	84.031B		-	215,052
			<u>-</u>	<u>2,823,031</u>

The accompanying notes are an integral part of this Schedule.

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education/Mineral Area College Carl D Perkins Grant	84.048A	163-163 / 117-117	\$ -	\$ 11,562
Education Stabilization Fund				
U.S. Department of Education				
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student portion	84.425E		-	1,872,561
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Institutional portion	84.425F		-	6,171,329
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - HBCU Funds	84.425J		-	3,889,603
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	84.425C		-	332,981
			-	12,266,474
NASA/Missouri University of Science and Technology Missouri Space Grant Consortium	43.001	NNX10A19NH/ NNX15AKD3H	-	92,450
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		-	449,650
Prime Power School	12.630		-	85,794
Prime Power School	12.630		-	49,493
			-	584,937
Highway Safety Cluster Department of Transportation National Highway Traffic Safety Administration/University of Missouri PIP - Partners in Prevention	20.600		-	1,753
U.S. Department of Homeland Security/MO Department of Public Safety Office of Homeland Security FY20 PSTCP - Lincoln University	97.067		-	9,999
U.S. Department of Education/Tennessee State University Open Education Resources	84.116T		-	2,007
Small Business Administration/University of Missouri Missouri Small Business Development Center	59.037	C00073069-4	-	37,503
			\$ 272,565	\$ 41,923,039

Lincoln University
A Component Unit of the State of Missouri
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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, 2021. 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 financial position as of June 30, 2021, 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 17, 2021.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Curators
Lincoln University

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*.

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 17, 2021

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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

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

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 were not 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 items 2021-001 and 2021-002, that we consider to be significant deficiencies.

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

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
December 17, 2021

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

7. The University's major programs were:

Cluster/Program	CFDA Number
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
Research and Development Cluster:	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205
1890 Institution Capacity Building Grant	10.216
Integrated Programs	10.303
FSMA Compliance Training and Research	10.328
Agriculture and Food Research Initiative (AFRI)	10.310
Excellence in Research	47.041
Education and Human Resources	47.076
1890 Agricultural Scholarships Program	10.524
EIR Research	47.070
Organic Agriculture Research and Extension Initiative	10.307
Specialty Crop Block Grant Program – Farm Bill	10.170
NCR SARE	
Cooperative Extension Services	10.500
Higher Educational Emergency Relief Funds	84.425

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

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
2021-001	<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 2020-2021</p> <p>Criteria or Specific Requirement – Special Tests: Enrollment Reporting 34 CFR Sections 690.83 (b)(2) and 685.309</p> <p>Condition – No student enrollment status changes during the year were communicated to the National Student Loan Data System (NSLDS).</p> <p>Questioned costs – None</p> <p>Context – Out of a population of 1,498 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. None of the student enrollment changes were reported to NSLDS.</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> <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 – The Registrar’s office will create and make available a procedural guide to submitting enrollment reports to increase personnel who can perform the task. Notification will be set up for staff to ensure reports do not go unfilled.</p>

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Reference Number	Finding
2021-002	<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 2020-2021; Higher Education Emergency Relief Fund (HEERF) Student and Institutional Aid Portions</p> <p>Criteria or Specific Requirement – Reporting</p> <p>Condition – Section 18004(e) of the CARES Act requires each institution that received funds under HEERF I and HEERF II 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. In addition, this information was required to be updated every 45 days thereafter. This was later revised on August 31, 2020, by decreasing the frequency of reporting after the initial 30-day period from every 45 days to every calendar quarter. Quarterly reports were due October 20, 2020; January 20, 2021; and April 20, 2021. Lincoln University did not post the required 45 day reports or the quarterly documentation for any quarter of the year.</p> <p>Similarly, Lincoln University was required to submit quarterly reports due October 10, 2020; January 10, 2021; and April 10, 2021, for the Institutional Aid and HBCU portion of funding. Lincoln University did not post the required quarterly documentation for the institutional portion.</p> <p>An annual HEERF report was required to be submitted on February 2, 2021. Lincoln University did not submit the quarterly report before the reporting deadline. In addition to the above, Lincoln University did not include the number of students that actually received HEERF funding in their public posting.</p> <p>Questioned costs – None</p>

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Reference Number	Finding
2021-002 (Continued)	<p>Context – Out of a population of 12 reports required to be submitted during the fiscal year, a sample of 4 reports was selected for testing, one of each type (student, institutional, HBCU, and annual). None of the reports were submitted timely and required reporting information was missing.</p> <p>Effect – The University is obligated to adhere to specified requirements as outlined in the Certification and Agreement signed and agreed to by the University. By failing to report the information in accordance with federal regulations, the University failed to comply with some requirements of the HEERF program.</p> <p>Cause – The University did not have strong controls in place that would trigger the posting of the information within the required timing and that included all required elements. These factors resulted in the University overlooking this requirement and posting the information past the required deadline, and excluding the number of students that had received the awards and the method of distributing the funds.</p> <p>Identification as a Repeat Finding – Finding 2020-002</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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Summary Schedule of Prior Audit Findings
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Reference Number	Finding	Status
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>	Resolved

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Reference Number	Finding	Status
2020-002	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	Not Resolved See Finding 2021-002

Criteria or Specific Requirement – Reporting

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.

Questioned costs – None

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.

Effect – The University is obligated to adhere to specified requirements as outlined in the Certification and Agreement signed and agreed to by the University. By failing to report the information in accordance with federal regulations, the University failed to comply with some requirements of the HEERF program.

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Reference Number	Finding	Status
2020-002 (Continued)	<p>Cause – The University did not have strong controls in place that would trigger the posting of the information within the required timing and that included all required elements. These factors resulted in the University temporarily overlooking this requirement and posting the information past the required deadline, and excluding the number of students that had received the awards and the method of distributing the funds.</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>	