

Lincoln University
A Component Unit of the State of Missouri

Independent Auditor's Reports and Financial Statements

June 30, 2015 and 2014

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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 the business-type activities and the discretely presented component unit of Lincoln University, collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2015 and 2014, 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 opinions on these financial statements based on our audits. We did not audit the financial statements of Lincoln University Foundation, Inc., a discretely presented component unit of the University, which statements reflect total assets of \$8,540,549 and \$8,628,631 as of June 30, 2015 and 2014, respectively, and total revenues of \$897,146 and \$2,534,535, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Lincoln University Foundation, Inc., are based solely on the report of the other auditors.

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. The financial statements of Lincoln University Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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 opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Lincoln University and of its discretely presented component unit as of June 30, 2015 and 2014, and the respective changes in financial position and where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the University began recording its proportional share of the net pension liability of the Missouri State Employees' Retirement System (MOSERS) in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

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, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The Auxiliary Activity Fund – Schedule of Revenues and Expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of Lincoln University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
October 26, 2015

Lincoln University

A Component Unit of the State of Missouri

Management's Discussion and Analysis

Years Ended June 30, 2015 and 2014

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, 2015 and 2014, with selected comparative information for the year ended June 30, 2013. 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. Lincoln University offers nine undergraduate degrees: Bachelor of Arts (B.A.), Bachelor of Liberal Studies (B.L.S.), Bachelor of Music Education (B.M.E.), Bachelor of Science (B.S.), Bachelor of Science in Education (B.S.Ed.), 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 University offers five graduate degrees: Master of Arts (M.A.) with majors in history, sociology and sociology/criminal justice; Master of Education (M.Ed.) with majors in school teaching and guidance and counseling; Master of Business Administration (M.B.A.) with an emphasis in management, accounting, public administration/policy or management information systems; Master of Science (M.S.) in Environmental Science and Natural Sciences. A Master of Science (M.S.) in Integrated Agricultural Systems was added in fall of 2015. Admissions to the M.Ed. in school administration and the Ed.S. in Educational Leadership remain on hold.

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, which is reflected results from 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, 2015, 2014 and 2013, is as follows:

	2015	2014	2013
	(In Millions)		
Assets and Deferred Outflows of Resources			
Current assets	\$ 22.4	\$ 18.9	\$ 16.7
Capital assets, net	81.0	83.5	86.4
Other noncurrent assets	4.5	4.6	5.5
Deferred outflows of resources	<u>3.2</u>	<u>0.3</u>	<u>0.4</u>
Total assets and deferred outflows of resources	<u>111.1</u>	<u>107.3</u>	<u>109.0</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities	6.2	5.6	4.7
Noncurrent liabilities	43.9	25.2	26.4
Deferred inflows of resources	<u>5.8</u>	<u>0.0</u>	<u>0.0</u>
Total liabilities and deferred inflows of resources	<u>55.9</u>	<u>30.8</u>	<u>31.1</u>
Net Position			
Net investment in capital assets	59.4	60.1	62.4
Restricted – nonexpendable	0.1	0.1	0.1
Restricted – expendable	2.8	2.2	2.5
Unrestricted	<u>(7.1)</u>	<u>14.1</u>	<u>12.9</u>
Total net position	<u>\$ 55.2</u>	<u>\$ 76.5</u>	<u>\$ 77.9</u>

In fiscal year 2015, the University adopted GASB Statements No. 68 and No. 71 which established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses related to pension plans. Due to limited pension plan data, it is not possible to entirely restate fiscal year 2014 and prior data. When possible, comparative data has been provided. Components of net position can be restated for comparison purposes; therefore, unrestricted net position as of July 1, 2014, would be restated as \$(9.6) from \$14.1 and the total net position as \$52.8 from \$76.5 (see *Note 1*).

During the 2015 fiscal year, total assets and deferred outflows of resources increased by \$3.8 million, total liabilities and deferred inflows of resources increased by \$25.1 million. The total net position increased by \$2.4 million compared to the restated fiscal year 2014 amount. The increase in assets was primarily a result of an increase of \$3.3 million in cash and investments offset by a net decrease in capital assets of \$2.5 million due to an increase in disposed equipment and library materials. In fiscal year 2014, the University contracted with a third party to provide all printing and copy services. As a result, related assets were disposed in fiscal year 2015. The increase in deferred outflows was due to the implementation of GASB Statements No. 68 and No. 71.

In fiscal year 2015, the University's current assets of \$22.4 million were sufficient to cover current liabilities of \$6.2 million. The current ratio in 2015 increased to 3.6 compared to the current ratio of 3.4 and 3.6 in 2014 and 2013, respectively.

The University's liabilities and deferred outflows of resources totaled \$55.9 million at June 30, 2015, and \$30.8 million at June 30, 2014. Noncurrent liabilities totaled \$43.9 million in 2015 and \$25.2 million in 2014. Noncurrent liabilities in 2015 are comprised of net pension liability as required by GASB Statements No. 68 and No. 71 as well as bonds and notes payable; whereas noncurrent liabilities in 2014 consisted primarily of bonds and notes payable. The change in liabilities in fiscal year 2015 was primarily a result of a reduction in the 2005 and 2007 revenue bond liability of \$1.1 million and the addition of the net pension liability in the amount of \$19.9 million.

Statement of Revenues, Expenses and Changes in Net Position

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

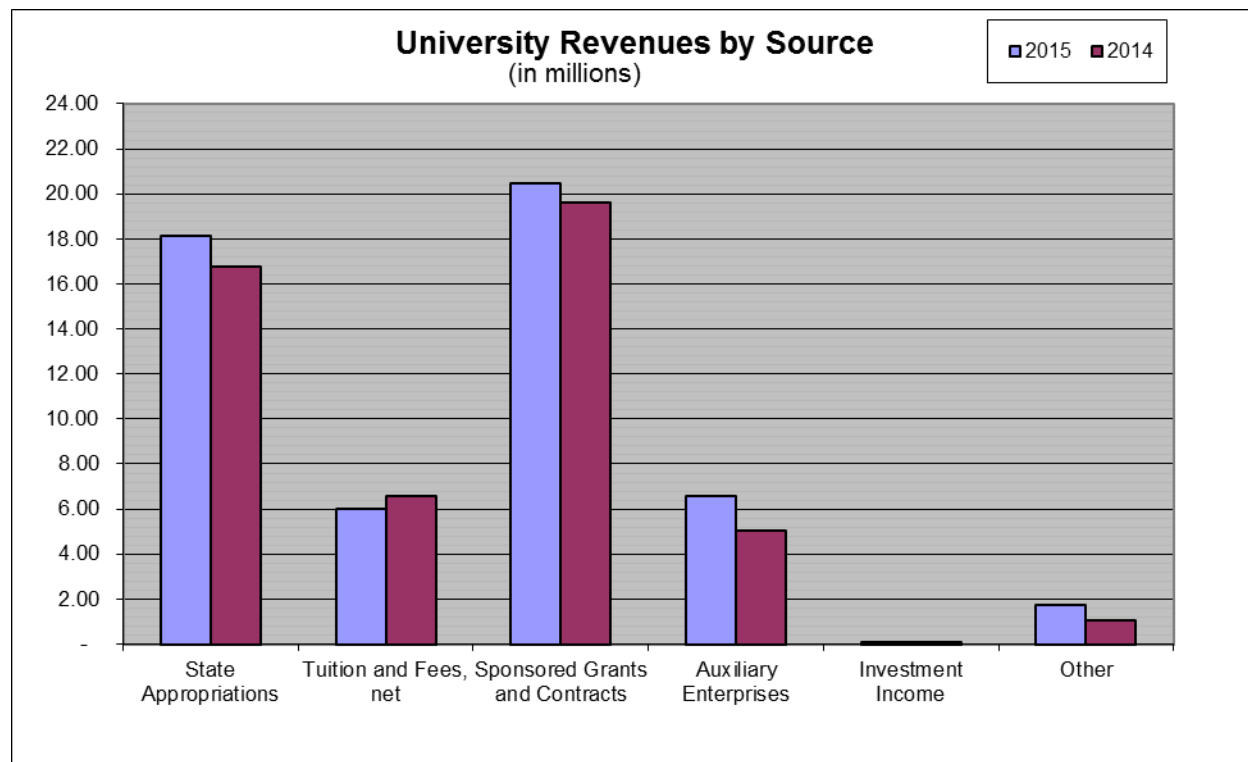
A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2015, 2014 and 2013, is as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(In Millions)		
Operating revenues	\$ 12.5	\$ 11.5	\$ 12.1
Operating expenses	<u>50.6</u>	<u>49.8</u>	<u>51.5</u>
Operating loss	(38.1)	(38.3)	(39.4)
Net nonoperating revenues	<u>39.3</u>	<u>36.3</u>	<u>37.3</u>
Income (loss) before other revenues, expenses, gains or losses	1.2	(2.0)	(2.1)
Capital grants and gifts	<u>1.3</u>	<u>0.6</u>	<u>0.4</u>
Increase (decrease) in net position	<u>2.5</u>	<u>(1.4)</u>	<u>(1.7)</u>
Net position, beginning of year, as previously reported	76.5	-	-
Cumulative effect of change in accounting principle	<u>(23.8)</u>	<u>-</u>	<u>-</u>
Net position, beginning of year, as restated	<u>52.7</u>	<u>77.9</u>	<u>79.6</u>
Net position, end of year	<u>\$ 55.2</u>	<u>\$ 76.5</u>	<u>\$ 77.9</u>

The total operating loss for fiscal year 2015 was \$38.1 million, all of which was offset by nonoperating revenues of \$39.3 million. The largest component of nonoperating revenues is federal grants and contracts followed by state appropriations. Although, these revenues support operating expenses, Governmental Accounting Standards Board (GASB) mandates that these revenues be recorded as nonoperating revenues.

Revenues (Operating and Nonoperating)

The following graph displays the components of the University's revenues for fiscal years 2015 and 2014:



As shown above, the largest component of total revenues (operating and nonoperating) is grants and contracts followed by state appropriations. In fiscal year 2015, the University received performance funding which increased the state appropriations compared to fiscal year 2014. Even with this increase, the University is still \$1.1 million short of fiscal year 2010 appropriations. State appropriations now account for 34% of University revenues compared to 36% in fiscal year 2010.

Student tuition and fees revenue of \$6.0 million is shown net of \$9.4 million and \$0.2 million in scholarship allowances and bad debt, respectively.

The following table represents the details of the University's grants and contracts revenue for the year ended June 30, 2015:

Federal sources	
Department of Agriculture	\$ 9,370,619
Department of Education (excluding financial aid)	2,947,313
Department of Defense	228,719
Department of Health and Human Services	400,555
National Aeronautics and Space Administration	30,184
Environmental Protection Agency	111,659
National Science Foundation	446,730
Other Federal Sources	<u>2,608</u>
Total federal sources	<u>13,538,387</u>
Nonfederal sources	
State, local and private	<u>676,448</u>
Total nonfederal sources	<u>676,448</u>
Total all sources	<u>\$ 14,214,835</u>

Operating Revenues

The following table summarizes the University's operating revenues by source for the years ended June 30, 2015, 2014 and 2013:

	Operating Revenues		
	2015	2014	2013
	(In Millions)		
Tuition and fees, net	\$ 6.0	\$ 6.6	\$ 7.2
Grants and contracts	0.3	0.2	0.6
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	5.8	4.3	3.9
Other	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
Total operating revenues	<u>\$ 12.5</u>	<u>\$ 11.5</u>	<u>\$ 12.1</u>

Tuition and fees, net of allowances of \$9.4 million and bad debt of \$0.2 million, decreased in 2015 to \$6.0 million compared to \$6.6 million in 2014. This net decrease in tuition and fees of \$0.6 million comes as a result of an increase in enrollment in 2015 offset by an increase in the Neighboring States Program and other scholarship allowances including Federal Pell Grants and other financial aid. Tuition and fees were not increased in fiscal year 2015; however, it was impacted by the implementation of the wellness center fee approved in the summer of 2014.

In fiscal year 2014, tuition and fees, net of allowances of \$8.7 million and bad debt of \$0.1 million, decreased to \$6.6 million compared to \$7.2 million in 2013. This net decrease in tuition and fees of \$0.6 million comes as a result of a decline in enrollment in 2014.

For fiscal year 2015, auxiliary enterprises, net of scholarship allowances and bad debt, increased by \$1.5 million. This was largely due to the growth in residential enrollment and the increase in room and board rates.

Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2015, 2014 and 2013:

	Operating Expenses		
	2015	2014	2013
	(In Millions)		
Compensation and benefits	\$ 31.0	\$ 31.1	\$ 32.9
Contractual services	6.7	5.9	5.6
Supplies and materials	1.8	1.6	1.9
Depreciation and amortization	6.0	6.2	6.0
Utilities/communications	1.9	2.0	1.8
Scholarships and fellowships	0.2	0.3	0.4
Other	<u>3.0</u>	<u>2.7</u>	<u>2.9</u>
Total operating expenses	<u>\$ 50.6</u>	<u>\$ 49.8</u>	<u>\$ 51.5</u>

During fiscal year 2015, operating expenses were \$50.6 million, an increase of \$0.8 million compared to 2014. The principal operating expense remains compensation and benefits which decreased \$0.1 million. A decrease of \$1 million in benefits as a result of the implementation of GASB Statements No. 68 and No. 71 was offset by a 3% cost of living increase for employees in January 2015. Contractual services increased by \$0.8 million due to a rise in board expenses tied to the growth in meal plan participation and residential hall maintenance expenses. All other categories predominantly remained steady.

Operating expenses in 2014 decreased to \$49.8 million from \$51.5 million in 2013. The largest component of operating expenses is compensation and benefits which was reduced by \$1.8 million from 2013. Excluding depreciation, utilities and contractual services, all operating expenses were reduced by \$2.4 million in total in 2014. The dip in enrollment in 2013 impacted available funds for other operating expenses. However, the University was able to reduce expenses in most areas in order to mitigate the reduction.

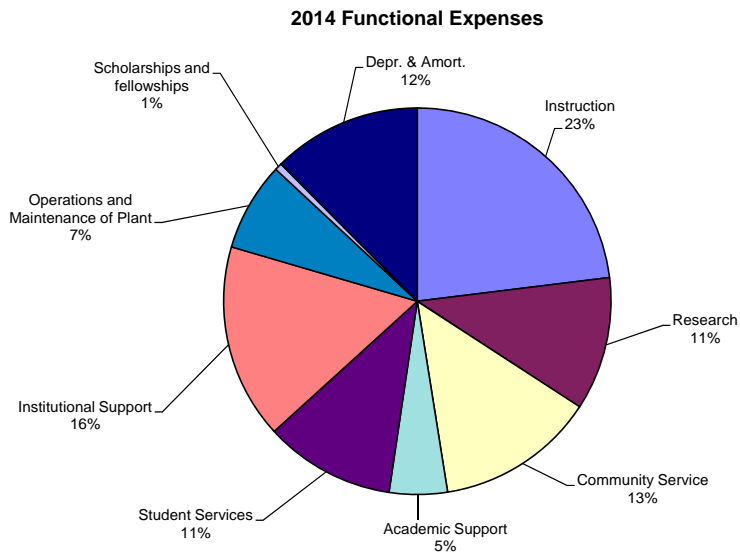
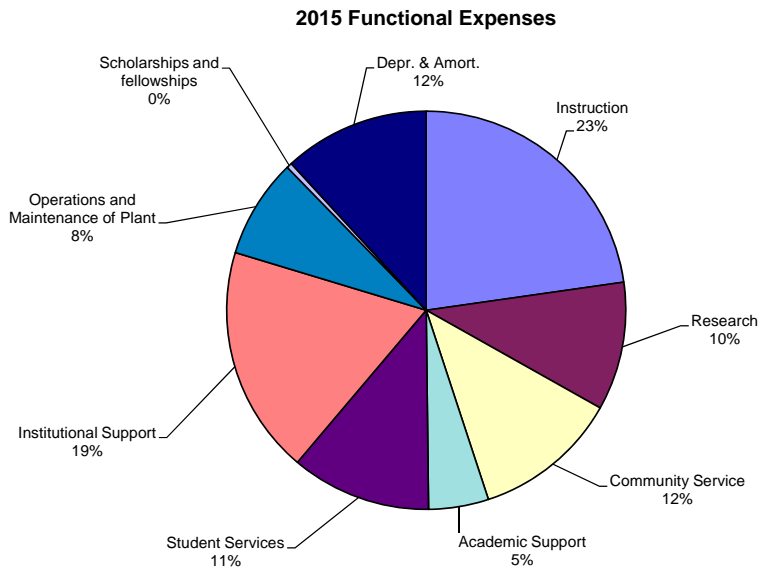
In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2015, 2014 and 2013, is as follows:

Expenses by Functional Category

	2015	2014	2013
	(In Millions)		
Instruction	\$ 11.5	\$ 11.5	\$ 12.3
Research	5.3	5.6	6.2
Community service	6.0	6.6	6.8
Academic support	2.5	2.4	2.6
Student services	5.7	5.4	5.3
Institutional support	9.3	8.1	8.1
Operations and maintenance of plant	4.1	3.7	3.8
Scholarships and fellowships	0.2	0.3	0.4
Depreciation and amortization	6.0	6.2	6.0
Total expenses	\$ 50.6	\$ 49.8	\$ 51.5

The University's total operating expenses directly support the primary mission of the University: Instruction, Research and Community Service. In 2015, the total of these three categories was \$22.8 million or 45.1% of the total expenses compared to \$23.7 million or 47.6% of total expenses in 2014. The implementation of GASB Statements No. 68 and No. 71 had an impact on compensation and benefit expenses across functional categories.

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, 2015, 2014 and 2013:

Nonoperating Revenues and Expenses

	2015	2014	2013
	(In Millions)		
State appropriations	\$ 18.1	\$ 16.8	\$ 17.0
Federal grants and contracts	20.0	19.0	19.5
State grants and contracts	0.3	0.3	0.3
Interest on indebtedness	(1.2)	(1.2)	(1.2)
Investment income	0.1	0.1	0.1
Other	<u>2.0</u>	<u>1.3</u>	<u>1.6</u>
Total nonoperating revenues and expenses	<u>\$ 39.3</u>	<u>\$ 36.3</u>	<u>\$ 37.3</u>

Federal grants and contracts is the largest component of the University's nonoperating revenues followed by state appropriations. State appropriations in fiscal year 2014 were reduced by \$0.3 million at the end of the fiscal year and subsequently added back to base appropriations in fiscal year 2015. The University received new appropriations in fiscal year 2015 in the amount of \$0.5 million for land grant match and \$0.5 million in performance funding.

The federal grants and contracts increased by \$1.0 million in 2015 due to a rise in federal financial aid and cooperative extension and research programs.

Statement of Cash Flows

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

The following table summarizes the University's cash flows for the years ended June 30, 2015, 2014 and 2013:

Cash Flows

	2015	2014	2013
	(In Millions)		
Cash Provided by (Used in)			
Operating activities	\$ (32.4)	\$ (31.8)	\$ (34.2)
Noncapital financing activities	40.1	36.6	38.7
Capital and related financing activities	(4.6)	(4.1)	(4.7)
Investing activities	<u>(1.3)</u>	<u>(2.4)</u>	<u>(0.7)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1.8	(1.7)	(0.9)
Cash and Cash Equivalents, Beginning of the Year	<u>2.7</u>	<u>4.4</u>	<u>5.3</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 4.5</u>	<u>\$ 2.7</u>	<u>\$ 4.4</u>

In fiscal year 2015, cash and cash equivalents increased by \$1.8 million compared to 2014. Approximately \$32.4 million of cash was used for operating activities, offset by \$40.1 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and federal and state grants and contract revenues received for other than capital purposes.

During fiscal year 2015, cash used for operating activities increased by \$0.6 million compared to 2014. The change in operating activities relates to the overall increase in cash used for expenses and the decrease in cash provided by tuition and fees offset by an increase in auxiliary enterprise activities.

The net cash provided by noncapital financing activities increased in 2015 by \$3.5 million. The change in noncapital financing activities was affected by the increase in state appropriations as well as an increase in revenue from federal grants and contracts. Further, other nonoperating revenue increased largely due to the implementation of the wellness center fees in the summer of 2014.

Cash used for capital and related financing activities in 2015 was \$4.6 million, an increase of \$0.5 million compared to 2014. The change was due to an increase in cash from capital grants offset by an increase in cash used for purchases of capital assets and capital improvement projects.

Cash used for investing activities in fiscal year 2015 was \$1.3 million compared to \$2.4 million in 2014. This is an overall change of \$1.1 million. By comparison, the University purchased \$3.1 million more in investments, while the sales of investments increased by \$4.2 million. The University employs an investment strategy to maximize investment opportunities. However, interest rates continue to be stagnant and investment opportunities are limited. The University's investment options are restricted to United States Treasury Securities, Government Sponsored Enterprises, collateralized public deposits, bankers acceptances, commercial paper and bank repurchase agreements collateralized by those obligations.

In fiscal year 2014, cash and cash equivalents decreased by \$1.7 million compared to 2013. Approximately \$31.8 million of cash was used for operating activities, offset by \$36.6 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 2014 was an overall decrease in cash used of \$2.4 million. The change in operating activities relates to the overall decrease in cash used for expenses, the decrease in cash provided by tuition and fees, the increase in auxiliary enterprise activities and the decrease in cash provided by operating grants.

There was a decrease in cash received from noncapital financing activities in 2014 of \$2.1 million. The change in noncapital financing activities was affected by a decrease in state appropriations of \$0.2 million and a decrease in state grant and contract revenue of \$1.8 million.

The net decrease in cash used for capital and related financing activities in 2014 compared to 2013 was \$0.6 million. The change was due to a decrease in cash from capital grants offset by the decrease in cash used for purchases of capital assets.

Cash used for investing activities in fiscal year 2014 was \$2.4 million compared to the cash used by investing activities of \$0.7 million in 2013. This is an overall change of \$1.7 million. The investment activity shows the University had purchased investments of \$18.3 million and had maturities of \$15.8 million in 2014, compared to \$12.1 million purchases and \$11.2 million in maturities in 2013.

Capital Assets

At June 30, 2015, the University had approximately \$81.0 million invested in capital assets, net of accumulated depreciation of approximately \$95.4 million. At June 30, 2014, the University had approximately \$83.5 million invested in capital assets, net of accumulated depreciation of approximately \$90.4 million.

Depreciation charges for the current year totaled approximately \$6.0 million. The following table summarizes the University's capital assets, net of accumulated depreciation, as of June 30, 2015, 2014 and 2013.

Capital Assets, Net

	2015	2014	2013
	(In Millions)		
Land and land improvements	\$ 7.0	\$ 6.8	\$ 7.0
Buildings	68.8	70.0	71.5
Furniture, fixtures and equipment	4.0	4.8	5.7
Infrastructure	0.5	0.8	1.0
Library materials	0.1	0.1	0.1
Construction in progress	<u>0.6</u>	<u>1.0</u>	<u>1.1</u>
Total capital assets, net	<u>\$ 81.0</u>	<u>\$ 83.5</u>	<u>\$ 86.4</u>

Major construction projects that began in fiscal year 2014 and/or fiscal year 2015 and were completed in fiscal year 2015 include the Scruggs Café Dining and Lounge renovation project (\$677,600), demolition of various houses (\$180,565), Dawson Hall electrical rewiring project (\$263,519), removal of pedestrian bridge across Chestnut Street (\$37,962), construction of ADA ramp into Founders Hall (\$122,770), new accessible bridge into Martin Luther King Hall (\$156,086), Small Animal Research Facility HVAC renovation (\$601,551), Dawson Hall second floor restroom renovations (\$121,015), and Dawson Hall water heating system replacement (\$79,910). These projects were funded by Title III funds, 1890 Facilities grant funds, Sodexo funds, funds received from the City of Jefferson Parks and Recreation Department, and local funds.

Major projects that began in fiscal year 2015 and will be complete in fiscal year 2016 include the Small Animal Research Facility roof replacement (\$102,528), Teaching Greenhouse Headhouse renovation (\$143,440), Memorial Hall roof replacement (\$42,509), Scruggs University Center roof replacement (\$332,140), design of the new Wellness Center (\$789,932), painting resident rooms in Sherman D. Scruggs Hall (\$85,500), painting interior spaces in Dawson Hall (\$59,900), design of addition onto Dickinson Research Center (\$126,600) and replacement of three chiller units in Founders Hall (\$63,270). These projects are funded by local funds, the 1890 Facilities grant, Title III and funds received from the City of Jefferson Parks and Recreation Department.

Bonds and Capital Leases

As of June 30, 2015, the University had approximately \$22.6 million in outstanding revenue bonds compared to \$23.7 million in 2014, a decrease of \$1.1 million.

Bonds and Capital Lease Debt

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(In Millions)		
Revenue bonds	\$ <u>22.6</u>	\$ <u>23.7</u>	\$ <u>24.9</u>

Student Enrollment

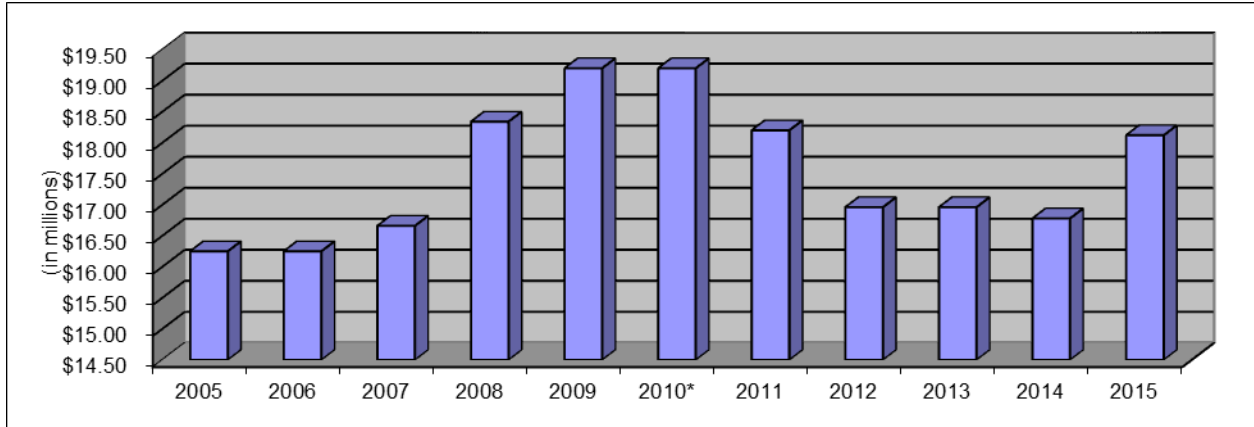
Following are highlights of student demographics for the fall 2014, 2013 and 2012 semesters of fiscal years 2015, 2014 and 2013, respectively.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Undergraduate	2,977	2,892	3,013
Graduate	<u>140</u>	<u>151</u>	<u>192</u>
Total students	<u>3,117</u>	<u>3,043</u>	<u>3,205</u>
Full-time	2,089	1,916	1,996
Part-time	1,028	1,127	1,209
Male	1,354	1,300	1,328
Female	1,763	1,743	1,877
Credit hours generated	34,026	32,079	33,741
Student full-time equivalent	2,284	2,155	2,271
Resident	880	682	652
Commuter	<u>2,237</u>	<u>2,361</u>	<u>2,553</u>
Total students	<u>3,117</u>	<u>3,043</u>	<u>3,205</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>
In-state	2,628	2,672	2,793
Out-state	427	312	345
International	<u>62</u>	<u>59</u>	<u>67</u>
Total students	<u>3,117</u>	<u>3,043</u>	<u>3,205</u>
Total number of degrees awarded	394	462	463
Number of students in dual – credit courses	526	563	523
Associate degree program	8	8	9
Undergraduate degree programs	47	47	47
Graduate degree programs	<u>13</u>	<u>13</u>	<u>11</u>
Total degree programs	<u>68</u>	<u>68</u>	<u>67</u>

In reviewing University enrollment trends, the chart above shows an increase in total enrollment between fall 2014 and fall 2013. In 2015, the University continued focusing on increasing resident students which is reflected in the 29% increase from 2014. The number of students enrolled full time increased by 9%.

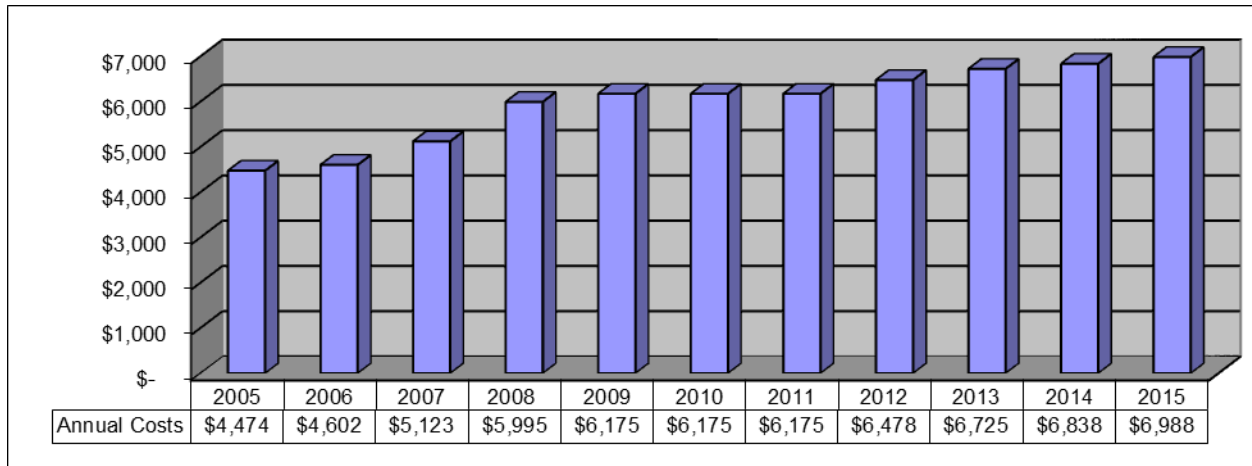
Trends

State Appropriations by Fiscal Year

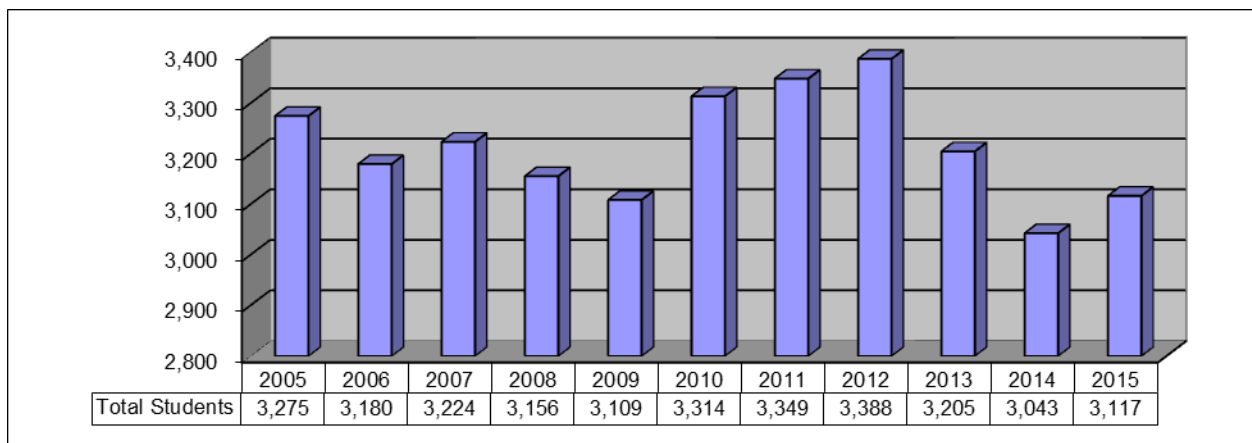


**Excludes the one-time state appropriations for the Caring for Missourian program.*

Full-Time Resident Tuition and Required Fees per Year



Student Enrollment for Fall Semesters by Fiscal Year



Fiscal Year 2016 Outlook

General Fund Operating Budget

The Lincoln University Board of Curators approved a \$35.3 million general fund operating budget for fiscal year 2016. State appropriations are the largest component of the 2016 budget. In 2016, the University anticipated state appropriations of \$18,333,768, resulting in a projected increase of 1.2%. The anticipated increase is made up of \$210,351 in performance funding. The performance funding amount was based on the University meeting all five of the performance measures.

Capital Projects

Upcoming projects identified for design and/or construction during fiscal year 2016 include the rebuild and/or new addition onto Dickinson Research Center (pending insurance settlement), construction of the Small Ruminant Building at Busby Farm (pending approval by USDA), new University/Community Wellness Center, new satellite Extension Office in Sikeston, Missouri, Young Hall interior renovations, various roofing projects, 601 Jackson renovation, HVAC renovations and possible waterproofing/foundation system repairs to various buildings. Projects will be funded by Title III, 1890 Facilities grant funds, local funds, state appropriations and the City of Jefferson Parks and Recreation Department funds.

Technological Advancements

The University Office of Information Technology works to support the institutions mission through the use of technology. There are many projects that are undertaken during the maintenance and support of various users. This section highlights a few projects over the course of the year that have made a substantial technological improvement to the institution. To provide a stable platform for University virtual environment the server infrastructure was updated and allowed for current virtual software to be installed. The accompanying storage area network was upgraded to allow for expandability of server size and data. The backup and recovery solution utilized by the institution was upgraded to allow for an improved disaster recovery model. Additionally a Telecommunications Administrator was added to make improvements in the voice network. Finally a plan is being finalized to increase the wired network infrastructure of the institution.

Other Significant Factors

On August 20, 2013, the University was notified by the Higher Learning Commission of the North Central Association of its continued accreditation. The next comprehensive evaluation will take place during the 2016-17 academic years. A second comprehensive evaluation with Reaffirmation of Accreditation is set for 2022-23. These evaluations reflect the institution's transition to the Commission's new accrediting process, Pathways. The University was required to provide the Commission with three monitoring reports: 1) a report on graduate education; 2) a report on communication and 3) a report on planning and use of data. The reports were accepted by the Higher Learning Commission, as a result, the University has met all the requirements for full accreditation.

On July 7, 2014, the University was notified by the Commission on Accreditation that the social work program was granted accreditation by the Council on Social Work Education (CSW) through June 2018.

The stand-alone BSN degree constitutes a substantive change in the nursing program requiring a site visit by the Accreditation Commission for Education in Nursing (ACEN). The visit is scheduled for fall 2015. The former A.A.S. in nursing will graduate its last main campus class in December and the new BSN program will graduate its first class in December 2017.

Executive Officers

President

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

President Rome serves on the Board of Directors for the Jefferson City Chamber of Commerce, the United Way of Central Missouri, Capital Region Medical Center and the Jefferson City Area YMCA and is a Board Member for Missouri Campus Compact. He is a member of the Jefferson City Rotary Club. Rome serves as Assistant Chair of the Council of 1890 Universities Executive Committee, Association of Public and Land-Grant Universities (APLU), and is a member of the APLU Commission on Access,

Diversity and Excellence (CADE) and serves on the Advisory Council on HBCU Governance and Leadership for the Association of Governing Boards' (AGB). He is a life member of Phi Beta Sigma Fraternity, Incorporated. He is a husband, father and community advocate.

Provost and Vice President for Academic Affairs

Dr. Said L. Sewell assumed responsibilities as Provost and Vice President for Academic Affairs at Lincoln University on June 18, 2014. Prior to his arrival at the University, Sewell served as the Assistant Provost for Academic Affairs and Dean of Undergraduate Studies at Kent State University (Kent, Ohio). Sewell was the Executive Director of the Academic Success Center and Associate Professor of Political Science at the Fort Valley State University. He has had faculty appointments in the Social Science or Political Science Departments at Fort Valley State, the University of West Georgia, Georgia Institute of Technology, University of Nebraska, Clark Atlanta University, Morehouse College and Albany State University. Sewell is the founding and current Executive Director of the Center for African-American Males: Research, Success and Leadership—a research and modeling center for the advancement of African-American males. Sewell entered Morehouse College at the age of 16 in 1988 as an early admission scholar and graduated in 1992 with a B.A. in political science. His formal training also includes a Ph. D. from Clark Atlanta University (CAU) in Political Science and Master of Public Administration in Public Policy from Texas Southern University. Sewell's fellowships include: the University System of Georgia Executive Fellow to Columbus State University, Harvard University Fellow at the School of Divinity and Kennedy School of Government, Visiting Faculty Fellow at the University of Nebraska at Lincoln's Department of Political Science and Research Fellow at the James (Jimmy) Earl Carter Presidential Library's Interfaith Health Program.

Dean of Administration and Student Affairs

In August 2010, Dr. Jerome Offord, Jr. was appointed the Dean of Library Services and University Archives and Assistant Professor at Lincoln University. In 2011, Offord served as Interim Provost along with Dr. Connie Hamacher, Interim President. In July 2013, Dr. Rome appointed Offord as Chief of Staff to the President. Effective July 1, 2015, Offord began serving the University as the Dean of Administration and Student Affairs. Prior to returning to Lincoln University, Offord served as the Diversity Officer and Manager of Corporate Inclusion at the Online Computer Library Center (OCLC) from 2008 to 2010. As the Manager of Corporate Inclusion, he was responsible for building and developing external relationships and strategies to attract diverse talent to OCLC, and continuing to drive an internal culture that welcomed diversity as a critical contributor to the organization's effectiveness. He also served as the Chair of the OCLC President's Inclusion Council. He was also responsible for managing the OCLC Minority Librarian Fellowship and Internship Programs. Prior to OCLC, Offord was the Director of Diversity Initiatives at the Association of Research Libraries from 2003 to 2008. As the Director of Diversity Initiatives for the ARL, Offord managed a suite of programs including the Initiative to Recruit a Diverse Workforce; the Leadership and Career Development Program; and the ARL Career Enhancement Program. In May 2015, Offord earned his Ph.D. in Library and Information Science from Simmons College in Boston, Massachusetts. He has earned a Master's of Science in Library Science from Catholic University in Washington, DC; a Master's of Science in Student Affairs in Higher Education from Colorado State University, in Ft. Collins, Colorado; and a Bachelor's of Science in Agriculture from Lincoln University.

Executive Director of Philanthropy Executive Director, Lincoln University Foundation

Mr. Willie Jude II arrived at Lincoln University in August 2013. Jude, a Wisconsin native and 2002 alumnus of the University of Wisconsin - Oshkosh, received a Bachelor's degree in Exercise and Fitness Management with a minor in Business. He went on to earn his Masters' degree in Higher Education from Washington State University in 2004. His career as a fundraising professional includes service at Washington State University and North Carolina Central University. As the Executive Director of

Philanthropy and LU Foundation Executive Director, Jude has accountability for leading the University's fund development efforts including: major gifts, corporate and foundation giving, annual giving and planned giving. Jude also has oversight responsibilities for the departments of University Relations, Alumni Affairs and Athletics.

Chief Information Officer

Dr. Kevin Harris currently serves as the Chief Information Officer for Lincoln University having arrived in January 2014. Harris's career encompasses diverse experiences both in information technology as well as academia providing the platform for higher education leadership. He has served in several information technology roles ranging from user support to director including: Database Administrator, System Analyst and Director of Information Systems. Harris served in an academic setting as a faculty member in the information security and computer science areas at both the undergraduate and graduate levels. Most recently he served as the Program Coordinator for the Information Security and Computer Networking Technology Programs at Nashville State Community College. Harris earned his B.S. in Computer Information Systems from Lincoln University, M.S. Computer Management Information Systems from Southern Illinois University-Edwardsville and Doctorate Business Administration – Information Systems emphasis from Argosy University.

Lincoln University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 3,563,839	\$ 2,680,516
Short-term investments	15,034,978	12,628,887
Accounts receivable, net of allowance; 2015 – \$379,586, 2014 – \$226,257	937,225	696,060
Federal and state grants receivable	2,784,609	2,777,806
Prepaid expenses	11,197	13,683
Other	59,995	57,823
Total current assets	22,391,843	18,854,775
Noncurrent Assets		
Restricted cash equivalents	923,743	28,234
Restricted investments	1,367,226	2,281,552
Long-term investments	219,000	219,000
Short-term endowment investments	589,939	447,000
Long-term endowment investments	832,000	1,047,916
Bond insurance costs	530,331	563,431
Capital assets, net	80,976,513	83,550,947
Total noncurrent assets	85,438,752	88,138,080
Total assets	107,830,595	106,992,855

Deferred Outflows of Resources

Loss on refunding of bonds	317,333	368,106
Deferred outflows of resources related to pension	2,928,303	-
Total deferred outflows of resources	3,245,636	368,106

Liabilities

	2015	2014
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,456,902	\$ 2,304,612
Accrued compensated absences	752,391	730,264
Postemployment benefit obligation	58,824	62,767
Unearned revenue	1,622,713	1,308,984
Current portion of long-term debt	1,275,769	1,201,231
Total current liabilities	<u>6,166,599</u>	<u>5,607,858</u>
Noncurrent Liabilities		
Deposits held in custody for others	95,625	111,193
Accrued compensated absences	722,886	622,076
Postemployment benefit obligation	28,335	34,216
Long-term debt	23,177,476	24,467,153
Net pension liability	19,918,271	-
Total noncurrent liabilities	<u>43,942,593</u>	<u>25,234,638</u>
Total liabilities	<u>50,109,192</u>	<u>30,842,496</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	<u>5,807,676</u>	<u>-</u>
Net Position		
Net investment in capital assets	59,426,835	60,101,114
Restricted nonexpendable for endowment	56,352	56,352
Restricted expendable for		
Research	165,812	100,824
Debt service	990	13,861
Term endowment	1,324,072	1,314,015
Other	1,257,338	777,327
Unrestricted	<u>(7,072,036)</u>	<u>14,154,972</u>
Total net position	<u>\$ 55,159,363</u>	<u>\$ 76,518,465</u>

Lincoln University
A Component Unit of the State of Missouri
Lincoln University Foundation, Inc.
Statements of Financial Position
June 30, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 585,269	\$ 621,648
Contributions receivable	13,534	39,609
Accrued investment income	1,751	3,391
Investments	7,933,420	7,956,807
Cash surrender value of life insurance	<u>6,575</u>	<u>7,176</u>
 Total assets	 <u>\$ 8,540,549</u>	 <u>\$ 8,628,631</u>

Liabilities and Net Assets

Liabilities

Accounts payable	<u>\$ 79,352</u>	<u>\$ 52,435</u>
 Total liabilities	 <u>79,352</u>	 <u>52,435</u>

Net Assets

Unrestricted	92,686	221,528
Temporarily restricted	4,057,121	4,172,223
Permanently restricted	<u>4,311,390</u>	<u>4,182,445</u>
 Total net assets	 <u>8,461,197</u>	 <u>8,576,196</u>
 Total liabilities and net assets	 <u>\$ 8,540,549</u>	 <u>\$ 8,628,631</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$9,380,608 – 2015 and \$8,710,604 – 2014 and bad debt expense of \$194,119 – 2015 and \$87,176 – 2014)	\$ 6,002,543	\$ 6,573,176
Federal grants and contracts	218,326	251,696
State grants and contracts	34,240	25,560
Sales and services of educational activities	40,927	34,015
Auxiliary enterprises (net of scholarship allowances of \$208,795 – 2015 and \$99,931 – 2014 and bad debt expense of \$48,487 – 2015 and \$21,794 – 2014)	5,832,838	4,333,636
Other	337,501	332,709
Total operating revenues	12,466,375	11,550,792
Operating Expenses		
Compensation and benefits	30,949,089	31,126,618
Contractual services	6,742,970	5,920,007
Travel	1,473,101	1,303,965
Supplies and materials	1,826,947	1,641,595
Scholarships and fellowships	221,416	303,494
Depreciation and amortization	5,985,449	6,194,117
Communications	114,708	118,703
Utilities	1,751,446	1,861,380
Other	1,558,109	1,370,935
Total operating expenses	50,623,235	49,840,814
Operating Loss	(38,156,860)	(38,290,022)
Nonoperating Revenues (Expenses)		
State appropriations	18,123,417	16,780,131
Federal grants and contracts	19,894,773	18,962,577
Recovery of administrative costs	10,011	9,748
State and local grants and contracts	317,255	346,159
Contributions	8,155	40
Student fees for capital projects	770,978	719,025
Gain (loss) on disposal of capital assets	(62,384)	(74,492)
Investment income	77,191	70,819
Interest on capital asset-related debt	(1,175,776)	(1,214,045)
Other nonoperating revenues	1,341,840	711,185
Net nonoperating revenues	39,305,460	36,311,147

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ 1,148,600	\$ (1,978,875)
Capital Grants and Gifts	<u>1,268,194</u>	<u>642,688</u>
Increase (Decrease) in Net Position	<u>2,416,794</u>	<u>(1,336,187)</u>
Net Position, Beginning of Year, as Previously Reported	76,518,465	-
Cumulative Effect of Change in Accounting Principle	<u>(23,775,896)</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>52,742,569</u>	<u>77,854,652</u>
Net Position, End of Year	<u><u>\$ 55,159,363</u></u>	<u><u>\$ 76,518,465</u></u>

Lincoln University
A Component Unit of the State of Missouri
Lincoln University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support				
Contributions	\$ 151,434	\$ 360,312	\$ 89,640	\$ 601,386
Special events	94,099	18,271	-	112,370
Investment return	7,095	68,630	29,305	105,030
Other revenue	75	78,285	-	78,360
	<u>252,703</u>	<u>525,498</u>	<u>118,945</u>	<u>897,146</u>
Net assets released from restrictions	<u>630,600</u>	<u>(640,600)</u>	<u>10,000</u>	<u>-</u>
Total revenues and other support	<u>883,303</u>	<u>(115,102)</u>	<u>128,945</u>	<u>897,146</u>
Expenses				
Program services				
Scholarships	266,547	-	-	266,547
Direct payments	306,496	-	-	306,496
	<u>573,043</u>	<u>-</u>	<u>-</u>	<u>573,043</u>
Support services				
Management and general	134,639	-	-	134,639
Fundraising	304,463	-	-	304,463
	<u>439,102</u>	<u>-</u>	<u>-</u>	<u>439,102</u>
Total expenses	<u>1,012,145</u>	<u>-</u>	<u>-</u>	<u>1,012,145</u>
Change in net assets	(128,842)	(115,102)	128,945	(114,999)
Net Assets, Beginning of Year	<u>221,528</u>	<u>4,172,223</u>	<u>4,182,445</u>	<u>8,576,196</u>
Net Assets, End of Year	<u>\$ 92,686</u>	<u>\$ 4,057,121</u>	<u>\$ 4,311,390</u>	<u>\$ 8,461,197</u>

See Notes to Financial Statements

2014				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
\$ 196,427	\$ 307,757	\$ 666,156	\$	1,170,340
88,824	18,201	-		107,025
8,832	1,094,849	58,393		1,162,074
727	94,369	-		95,096
294,810	1,515,176	724,549		2,534,535
700,568	(694,644)	(5,924)		-
995,378	820,532	718,625		2,534,535
242,229	-	-		242,229
346,358	-	-		346,358
588,587	-	-		588,587
129,771	-	-		129,771
183,579	-	-		183,579
313,350	-	-		313,350
901,937	-	-		901,937
93,441	820,532	718,625		1,632,598
128,087	3,351,691	3,463,820		6,943,598
\$ 221,528	\$ 4,172,223	\$ 4,182,445	\$	8,576,196

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Tuition and fees	\$ 5,936,492	\$ 6,600,280
Grants and contracts	252,566	277,256
Payments to suppliers	(12,808,337)	(12,072,778)
Payments to employees	(31,885,811)	(31,217,988)
Sales and services of auxiliary enterprises	5,784,605	4,320,096
Sales and services of educational activities	40,927	34,015
Other receipts and deposits	312,867	269,052
	<u>(32,366,691)</u>	<u>(31,790,067)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	18,123,417	16,780,131
Gifts and grants for other than capital purposes	20,602,782	19,091,605
Other receipts	1,351,851	720,933
	<u>40,078,050</u>	<u>36,592,669</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Capital grants and gifts	776,852	554,418
Student fees for capital projects	770,978	719,025
Purchase of capital assets	(3,797,754)	(3,041,372)
Principal paid on capital debt	(1,207,965)	(1,120,000)
Interest paid on capital debt	(1,133,042)	(1,174,271)
	<u>(4,590,931)</u>	<u>(4,062,200)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Investment income	77,191	70,819
Proceeds from sales and maturities of investments	20,013,180	15,826,666
Purchases of investments	(21,431,967)	(18,326,013)
	<u>(1,341,596)</u>	<u>(2,428,528)</u>
Net cash used in investing activities		
Increase (Decrease) in Cash and Cash Equivalents	1,778,832	(1,688,126)
Cash and Cash Equivalents, Beginning of Year	<u>2,708,750</u>	<u>4,396,876</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,487,582</u>	<u>\$ 2,708,750</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 3,563,839	\$ 2,680,516
Restricted cash equivalents	923,743	28,234
Total cash and cash equivalents	\$ 4,487,582	\$ 2,708,750
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (38,156,860)	\$ (38,290,022)
Depreciation and amortization	5,985,449	6,194,117
Changes in operating assets and liabilities		
Receivables, net	(148,292)	(122,004)
Prepaid expenses, bond insurance costs and other assets	9,380	(13,641)
Accounts payable and accrued liabilities	814,515	534,990
Accrued compensated absences	122,937	(73,837)
Net pension liability	(978,252)	-
Deposits held in custody for others	(15,568)	(19,670)
Net Cash Used in Operating Activities	\$ (32,366,691)	\$ (31,790,067)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 168,557	\$ 526,013

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2015 and 2014

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

Nature of Operations

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

Basis of Accounting and Presentation

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

Change in Accounting Principle

In 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts.

The University has not restated its financial statements as of and for the year ended June 30, 2014, because actuarial information was not readily available for that period, thus making restatement of the 2014 financial statements impractical.

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As a result of the implementation, unrestricted net position as of July 1, 2014, was restated as follows:

Unrestricted net position, as previously reported	<u>\$ 14,154,972</u>
Cumulative effect of change in accounting principle	
Net pension liability (measurement date of June 30, 2013)	(26,533,026)
Deferred outflows of resources	
Contributions during the year ended June 30, 2014	<u>2,757,130</u>
Total cumulative effect of change in accounting principle	<u>(23,775,896)</u>
Unrestricted net position, as restated	<u><u>\$ (9,620,924)</u></u>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, cash equivalents consisted primarily of money market funds, repurchase agreements and certificates of deposit.

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.

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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 \$33,100 for the years ended June 30, 2015 and 2014.

Capital Assets

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

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

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. No interest was capitalized for the years ended June 30, 2015 and 2014.

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.

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Defined Benefit Pension Plan

As a component unit of the State of Missouri, the University participates in the Missouri State Employees' Plan (MSEP), a single-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.

Net Position

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

Classification of Revenues

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

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

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

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Scholarship Discounts and Allowances

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

Income Taxes

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

Foundation

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

During the years ended June 30, 2015 and 2014, the Foundation distributed \$198,765 and \$85,149 to the University for both restricted and unrestricted purposes, respectively. During 2015 and 2014, the University transferred \$0 of endowment funds to the Foundation for management purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 820 Chestnut Street, Jefferson City, Missouri 65102.

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

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Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At June 30, 2015 and 2014, the University's bank balances were \$132,888 and \$197,190, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2015 and 2014.

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, 2015 and 2014, the University had the following investments and maturities:

Type	June 30, 2015				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Repurchase agreements	\$ 3,425,851	\$ 3,425,851	\$ -	\$ -	\$ -
Certificates of deposit	13,587,939	12,536,939	1,051,000	-	-
Money market treasury funds	923,743	923,743	-	-	-
Government-sponsored enterprises obligations	4,455,204	3,087,978	1,367,226	-	-
	<u>\$22,392,737</u>	<u>\$19,974,511</u>	<u>\$ 2,418,226</u>	<u>\$ -</u>	<u>\$ -</u>

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Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Repurchase agreements	\$ 2,477,225	\$ 2,477,225	\$ -	\$ -	\$ -
Certificates of deposit	9,441,312	8,174,396	1,266,916	-	-
Money market treasury funds	28,234	28,234	-	-	-
Government-sponsored enterprises obligations	7,183,043	7,183,043	-	-	-
	\$19,129,814	\$17,862,898	\$ 1,266,916	\$ -	\$ -

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014, the University’s investments in government-sponsored enterprises obligations of the follow entities constituted the following percentages of total investments:

	2015	2014
Federal National Mortgage Association (FNMA)	1%	14%
Federal Home Loan Mortgage Corporation (FHLMC)	9%	18%
Federal Home Loan Bank (FHLB)	9%	5%

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Summary of Carrying Values

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

	2015	2014
Carrying value		
Deposits	\$ 137,988	\$ 203,291
Investments	22,392,737	19,129,814
	<u>\$ 22,530,725</u>	<u>\$ 19,333,105</u>

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

	2015	2014
Cash and cash equivalents	\$ 3,563,839	\$ 2,680,516
Short-term investments	15,034,978	12,628,887
Restricted cash equivalents	923,743	28,234
Restricted investments	1,367,226	2,281,552
Long-term investments	219,000	219,000
Short-term endowment investments	589,939	447,000
Long-term endowment investments	832,000	1,047,916
	<u>\$ 22,530,725</u>	<u>\$ 19,333,105</u>

Investment Income

Investment income for the years ended June 30, 2015 and 2014, consisted of:

	2015	2014
Interest and dividend income	\$ 50,373	\$ 71,799
Net realized and unrealized losses on investments	26,818	(980)
	<u>\$ 77,191</u>	<u>\$ 70,819</u>

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Note 3: Endowment Funds

The University's endowment funds are substantially composed of term endowment funds received from the U.S. Department of Education Title III program and state matching funds of \$1,104,000. The grant provisions require the University to maintain the endowment corpus for 20 years. After the termination of the grant period, the University may use the endowment fund corpus plus any endowment fund income for any educational purpose. Endowment fund income is defined as the total value of the endowment fund established minus the endowment fund corpus. Each year the University is allowed to spend no more than 50% of the total aggregate endowment fund income related to the grant award. During the years ended June 30, 2015 and 2014, \$0 and \$50,000, respectively, was transferred out of the endowment fund to the operating fund.

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2015 and 2014, were:

	Beginning Balance	2015			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 3,267,023	\$ 111,177	\$ -	\$ 316,917	\$ 3,695,117
Land improvements	5,708,794	26,517	-	-	5,735,311
Buildings and improvements	129,995,454	1,997,330	47,820	684,482	132,629,446
Infrastructure	4,140,518	-	-	-	4,140,518
Furniture, fixtures and equipment	27,530,532	768,610	906,707	-	27,392,435
Library materials	2,286,688	156	103,434	-	2,183,410
Construction in progress	1,066,277	536,507	23,050	(1,001,399)	578,335
	<u>173,995,286</u>	<u>3,440,297</u>	<u>1,081,011</u>	<u>-</u>	<u>176,354,572</u>
Less accumulated depreciation					
Land improvements	2,177,197	263,592	-	-	2,440,789
Buildings and improvements	59,988,555	3,914,410	47,820	-	63,855,145
Infrastructure	3,341,214	253,124	-	-	3,594,338
Furniture, fixtures and equipment	22,677,850	1,506,470	867,373	-	23,316,947
Library materials	2,259,523	14,751	103,434	-	2,170,840
	<u>90,444,339</u>	<u>5,952,347</u>	<u>1,018,627</u>	<u>-</u>	<u>95,378,059</u>
Net capital assets	<u>\$ 83,550,947</u>	<u>\$ (2,512,050)</u>	<u>\$ 62,384</u>	<u>\$ -</u>	<u>\$ 80,976,513</u>

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	Beginning Balance	Additions	2014		Ending Balance
			Disposals	Transfers	
Land	\$ 3,230,242	\$ 36,781	\$ -	\$ -	\$ 3,267,023
Land improvements	5,693,024	15,770	-	-	5,708,794
Buildings and improvements	127,685,519	1,335,639	78,274	1,052,570	129,995,454
Infrastructure	4,140,518	-	-	-	4,140,518
Furniture, fixtures and equipment	26,919,574	988,295	377,337	-	27,530,532
Library materials	2,282,327	4,361	-	-	2,286,688
Construction in progress	1,082,085	1,036,762	-	(1,052,570)	1,066,277
	<u>171,033,289</u>	<u>3,417,608</u>	<u>455,611</u>	<u>-</u>	<u>173,995,286</u>
Less accumulated depreciation					
Land improvements	1,910,413	266,784	-	-	2,177,197
Buildings and improvements	56,168,432	3,843,605	23,482	-	59,988,555
Infrastructure	3,088,088	253,126	-	-	3,341,214
Furniture, fixtures and equipment	21,253,484	1,782,003	357,637	-	22,677,850
Library materials	2,244,024	15,499	-	-	2,259,523
	<u>84,664,441</u>	<u>6,161,017</u>	<u>381,119</u>	<u>-</u>	<u>90,444,339</u>
Net capital assets	<u>\$ 86,368,848</u>	<u>\$ (2,743,409)</u>	<u>\$ 74,492</u>	<u>\$ -</u>	<u>\$ 83,550,947</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, 2015 and 2014:

	Beginning Balance	2015		Ending Balance	Current Portion
		Additions	Deductions		
Long-term debt					
Revenue bonds payable					
Series 2005	\$ 5,145,000	\$ -	\$ 645,000	\$ 4,500,000	\$ 645,000
Series 2007	18,585,000	-	460,000	18,125,000	460,000
Loan payable - DNR					
Energize MO	1,863,000	-	102,965	1,760,035	170,769
Reoffering premium	75,384	-	7,174	68,210	-
Total long-term debt	<u>25,668,384</u>	<u>-</u>	<u>1,215,139</u>	<u>24,453,245</u>	<u>1,275,769</u>
Other noncurrent liabilities					
Accrued compensated absences	1,352,340	874,374	751,437	1,475,277	752,391
Deposits held in custody for others	111,193	80,634	96,202	95,625	-
Postemployment benefit obligation	96,983	49,000	58,824	87,159	58,824
Net pension liability	-	26,533,026	6,614,755	19,918,271	-
Total other noncurrent liabilities	<u>1,560,516</u>	<u>27,537,034</u>	<u>7,521,218</u>	<u>21,576,332</u>	<u>811,215</u>
Total noncurrent liabilities	<u>\$27,228,900</u>	<u>\$27,537,034</u>	<u>\$ 8,736,357</u>	<u>\$46,029,577</u>	<u>\$ 2,086,984</u>

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	Beginning Balance	2014		Ending Balance	Current Portion
		Additions	Deductions		
Long-term debt					
Revenue bonds payable					
Series 2005	\$ 5,820,000	\$ -	\$ 675,000	\$ 5,145,000	\$ 645,000
Series 2007	19,030,000	-	445,000	18,585,000	460,000
Loan Payable - DNR					
Energize MO	1,863,000	-	-	1,863,000	96,231
Reoffering premium	82,558	-	7,174	75,384	-
Total long-term debt	<u>26,795,558</u>	<u>-</u>	<u>1,127,174</u>	<u>25,668,384</u>	<u>1,201,231</u>
Other noncurrent liabilities					
Accrued compensated absences	1,426,177	652,582	726,419	1,352,340	730,264
Deposits held in custody for others	130,863	75,790	95,460	111,193	-
Postemployment benefit obligation	110,995	48,755	62,767	96,983	62,767
Total other noncurrent liabilities	<u>1,668,035</u>	<u>777,127</u>	<u>884,646</u>	<u>1,560,516</u>	<u>793,031</u>
Total noncurrent liabilities	<u>\$28,463,593</u>	<u>\$ 777,127</u>	<u>\$ 2,011,820</u>	<u>\$27,228,900</u>	<u>\$ 1,994,262</u>

Revenue Bonds Payable

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

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

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

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

The debt service requirements as of June 30, 2015, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2016	\$ 2,187,779	\$ 1,105,000	\$ 1,082,779
2017	2,216,899	1,180,000	1,036,899
2018	2,187,679	1,200,000	987,679
2019	2,237,654	1,300,000	937,654
2020	2,232,628	1,350,000	882,628
2021 - 2025	7,964,026	4,305,000	3,659,026
2026 - 2030	6,924,200	4,215,000	2,709,200
2031 - 2035	6,920,975	5,405,000	1,515,975
2036 - 2037	2,763,850	2,565,000	198,850
	<u>\$ 35,635,690</u>	<u>\$ 22,625,000</u>	<u>\$ 13,010,690</u>

Bond Defeasance

In prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. On June 30, 2015 and 2014, \$4,535,000 and \$5,110,000, respectively, of bonds outstanding were considered defeased.

Loan Payable

The University has a loan payable with the Missouri Department of Natural Resources (MDNR), dated June 14, 2012, in the maximum amount of \$1,863,000 bearing interest at 2%. 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.

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The debt service requirements of the loan as of June 30, 2015, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2016	\$ 205,120	\$ 170,769	\$ 34,351
2017	205,120	174,201	30,919
2018	205,120	177,703	27,417
2019	205,120	181,275	23,845
2020	205,120	184,918	20,202
2021 - 2025	<u>914,989</u>	<u>871,169</u>	<u>43,820</u>
	<u>\$ 1,940,589</u>	<u>\$ 1,760,035</u>	<u>\$ 180,554</u>

Note 6: Pension Plans

MOSERS

Plan Description

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

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. The MSEP provides

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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 30.

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% of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2015, was 16.97% 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 year ended June 30, 2014, was 16.98% for all plans, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were \$2,850,690 and \$2,757,130 for the years ended June 30, 2015 and 2014, respectively.

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

At June 30, 2015, the University reported a liability of \$19,918,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2014. At June 30, 2014, the University's proportion was 0.8448%, which remained unchanged from the percentage used to allocate the liability as of June 30, 2013, since this was the initial implementation year.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2014, that affected the measurement of total pension liability.

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For the year ended June 30, 2015, the University recognized pension expense of \$1,872,437. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,613	\$ -
Net difference between projected and actual earning on pension plan investments	-	5,807,676
University's contributions subsequent to the measurement date	2,850,690	-
Total	\$ 2,928,303	\$ 5,807,676

At June 30, 2015, the University reported \$2,850,690, 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 year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2015, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2016	\$ 1,424,979
2017	1,424,979
2018	1,428,185
2019	1,451,920
	\$ 5,730,063

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% to 5.90% annually, average, including inflation
Investment rate of return	8.00% per year, compounded annually, net after investment expenses and including inflation

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Mortality rates were based on the RP-2000 combined healthy mortality table projected to 2016 with Scale AA. The preretirement mortality rates used were 100% of the postretirement mortality rates for males and 80% of the postretirement mortality for females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.50% to 8.00%.

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, 2014, are summarized in the following table:

Asset Class	Policy Allocation	Long-Term Expected Real Rate of Return *	Weighted Average Long-Term Expected Real Rate of Return
Beta Balanced	76.60%	5.70%	4.40%
Illiquids **	19.20%	7.30%	1.40%
Old Portfolio ***	4.20%	6.00%	0.20%
	<u>100.00%</u>		<u>6.00%</u>

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

** Illiquid portfolio upper limit of 27.5% of capital, no new commitments past 23%.

*** As of June 30, 2014, MOSERS was in the final stages of transitioning from a portfolio allocation consisting of 45% public equities, 30% public debt and 25% alternative investments (old portfolio) to a new target allocation of 80% beta-balanced and 20% illiquids.

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Discount Rate

The discount rate used to measure the total pension liability was 8.00% at June 30, 2014. 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 8.00%, 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 (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of the net pension liability	\$ 30,894,010	\$ 19,918,271	\$ 10,660,363

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, 2015 and 2014, the University reported a payable of \$22,351 and \$17,737, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2015 and 2014, respectively.

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CURP

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an “education employee” participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-CREF group of companies is the third-party administrator for the CURP and manages the investment options under the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. By law, the CURP contribution rate is equal to 1% 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 6.16% and 6.38% of annual covered payroll for 2015 and 2014, respectively. The University’s contributions to the plan for the years ended June 30, 2015 and 2014, were \$288,098 and \$249,347, respectively, which equaled the required contributions for each year.

Note 7: Postemployment Health Care Plan

Plan Description

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

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

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Funding Policy

The contribution requirements of plan members and the University are established and may be amended by the Lincoln University Board of Curators. The required contribution is based on projected pay-as-you-go financing requirements. All participating retirees, except professors who have obtained emeritus status, are required to contribute the entire amount of the monthly premium to the plan. Premiums are determined annually on a pooled basis for the University's healthcare plan. For the years ended June 30, 2015 and 2014, the University contributed \$58,824 and \$62,767, respectively, to the plan for premiums of 20 professor emeritus retirees. The University's contributions represented approximately 90% and 74%, respectively, of total 2015 and 2014 premiums. Plan members receiving benefits contributed \$6,725 and \$21,563, or approximately 10% and 26%, respectively, of total 2015 and 2014 premiums, through their required contribution.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the University's net OPEB obligation to the plan:

Annual required contribution	\$ 50,701
Interest on net OPEB obligation	3,394
Adjustment to the annual required contribution	(5,095)
Annual OPEB expense	<u>49,000</u>
Employer contributions made	<u>58,824</u>
Decrease in net OPEB obligation	(9,824)
Net OPEB obligation at June 30, 2014	<u>96,983</u>
Net OPEB obligation at June 30, 2015	<u><u>\$ 87,159</u></u>

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The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 58,730	109.2%	\$ 110,995
June 30, 2014	48,755	128.7%	96,983
June 30, 2015	49,000	120.1%	87,159

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability for benefits	\$ 932,499
Actuarial value of assets	-
Total unfunded actuarial accrued liability (UAAL)	\$ 932,499
Funded ratio	0.0%
Annual covered payroll	\$ 18,802,475
Ratio of unfunded actuarial accrued liability to covered payroll	5.0%

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

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Actuarial Methods and Assumptions

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

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

Actuarial cost method	Projected unit credit
UAAL amortization method	Level dollar amount
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	3.5%
Healthcare cost trend rate	6% decreasing to 5% in 2019

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, 2015 and 2014, 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.

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Note 9: Risk Management

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

Note 10: Natural Classifications with Functional Classifications

For the years ended June 30, 2015 and 2014, the following tables represent operating expenses with both natural and functional classifications:

	Compensation and Benefits	Contractual Services	Travel	2015 Supplies and Materials	Utilities	Other	Total
Instruction	\$ 10,642,309	\$ 370,294	\$ 134,911	\$ 164,196	\$ 500	\$ 200,731	\$ 11,512,941
Research	3,542,826	767,519	173,384	445,700	197,197	144,903	5,271,529
Community service	4,699,820	437,238	306,201	200,484	84,604	247,153	5,975,500
Academic support	1,746,756	342,625	61,105	83,967	5,212	220,559	2,460,224
Student services	3,647,373	851,259	507,936	299,882	-	441,793	5,748,243
Institutional support	4,944,469	3,405,334	274,433	274,865	102,630	365,117	9,366,848
Operations and maintenance of plant	1,725,536	568,701	15,131	357,853	1,361,303	52,561	4,081,085
Scholarships and fellowships	-	-	-	-	-	-	221,416
Depreciation and amortization	-	-	-	-	-	-	5,985,449
	<u>\$ 30,949,089</u>	<u>\$ 6,742,970</u>	<u>\$ 1,473,101</u>	<u>\$ 1,826,947</u>	<u>\$ 1,751,446</u>	<u>\$ 1,672,817</u>	<u>\$ 50,623,235</u>

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	Compensation and Benefits	Contractual Services	Travel	2014 Supplies and Materials	Utilities	Other	Total
Instruction	\$ 10,801,660	\$ 201,399	\$ 112,358	\$ 160,908	\$ 476	\$ 209,608	\$ 11,486,409
Research	3,684,755	946,901	148,544	439,870	197,667	136,930	5,554,667
Community service	5,029,323	660,519	360,365	319,791	95,229	167,060	6,632,287
Academic support	1,922,330	153,305	27,676	70,246	13,858	226,582	2,413,997
Student services	3,428,546	952,554	435,564	228,153	40	388,072	5,432,929
Institutional support	4,650,873	2,718,101	200,975	149,891	88,175	314,368	8,122,383
Operations and maintenance of plant	1,609,131	287,228	18,483	272,736	1,465,935	47,018	3,700,531
Scholarships and fellowships	-	-	-	-	-	-	303,494
Depreciation and amortization	-	-	-	-	-	-	6,194,117
	<u>\$ 31,126,618</u>	<u>\$ 5,920,007</u>	<u>\$ 1,303,965</u>	<u>\$ 1,641,595</u>	<u>\$ 1,861,380</u>	<u>\$ 1,489,638</u>	<u>\$ 49,840,814</u>

Note 11: Lincoln University Foundation, Inc.

Financial Statements

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

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Contributions

The Foundation records pledges by donors, including unconditional promises to give, as revenues in the period in which pledges are made, at their estimated net realizable values. Pledges which are conditional promises to give are recognized as revenues at their estimated net realizable value in the period in which the conditions are met. Contributions receivable at June 30 were as follows:

	2015	2014
Contributions due within one year	\$ 17,929	\$ 52,370
Less allowance for uncollectible pledges	(4,395)	(12,761)
Net contributions receivable	\$ 13,534	\$ 39,609

Under FASB ASC, contributions of services should be recognized in the financial statements if the services received create or enhance nonfinancial assets or if the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation received contributions of employee services from Lincoln University meeting the aforementioned criteria during the years ended June 30, 2015 and 2014, with an estimated value of \$163,782 and \$159,075, respectively.

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

Investments

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

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The aggregate amount of investments summarized by major type at June 30, 2015 and 2014, was as follows:

	2015	
	Cost	Fair Value
Fixed income securities	\$ 1,399,801	\$ 1,396,845
Equity securities	<u>5,649,702</u>	<u>6,536,575</u>
Total investments	<u><u>\$ 7,049,503</u></u>	<u><u>\$ 7,933,420</u></u>
	2014	
	Cost	Fair Value
Money market funds	\$ 68,824	\$ 68,824
Fixed income securities	1,988,149	2,016,139
Equity securities	<u>4,280,138</u>	<u>5,871,844</u>
Total investments	<u><u>\$ 6,337,111</u></u>	<u><u>\$ 7,956,807</u></u>

Investment return consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Dividends and interest	\$ 331,020	\$ 213,589
Realized gains and losses	674,470	55,698
Unrealized gains and losses	<u>(900,460)</u>	<u>892,787</u>
Total investment return	<u><u>\$ 105,030</u></u>	<u><u>\$ 1,162,074</u></u>

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Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014, are available for the following purposes:

	2015	2014
KJLU radio station	\$ 179,150	\$ 170,769
Lincoln University athletic programs	75,961	27,791
Lincoln University academic departments	62,984	51,247
Other Lincoln University programs	49,821	49,572
Lincoln University capital projects maintenance	15,839	16,252
General assistance for Lincoln University students	7,043	7,241
Loan funds for Lincoln University students	6,081	6,476
General support of Lincoln University	27,110	45,595
Scholarships for Lincoln University students	3,633,132	3,797,280
	<u>\$ 4,057,121</u>	<u>\$ 4,172,223</u>

Permanently restricted net assets consisted of the following at June 30, 2015 and 2014:

	2015	2014
Scholarships for Lincoln University students	\$ 4,311,390	\$ 4,172,445
Loan funds for Lincoln University students	-	10,000
	<u>\$ 4,311,390</u>	<u>\$ 4,182,445</u>

Endowment Funds

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

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 3,198,149	\$ 4,311,390	\$ 7,509,539
	<u>\$ -</u>	<u>\$ 3,198,149</u>	<u>\$ 4,311,390</u>	<u>\$ 7,509,539</u>

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	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 3,380,053	\$ 4,182,445	\$ 7,562,498
	\$ -	\$ 3,380,053	\$ 4,182,445	\$ 7,562,498

Fair Value of Financial Instruments

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

The fair value hierarchy as prescribed by FASB ASC is as follows:

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

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The Foundation's assets measured at fair value on a recurring basis as of June 30, 2015 and 2014, aggregated by the level in the fair value hierarchy within which those measurements fall, were as follows:

Description	2015			
	Total	Level 1	Level 2	Level 3
State and municipal bonds	\$ 107,497	\$ -	\$ 107,497	\$ -
Fixed income mutual funds	1,289,349	1,289,349	-	-
Real asset mutual funds	325,865	325,865	-	-
Equity mutual funds				
Growth funds	1,645,622	1,645,622	-	-
Mid-cap blend funds	752,231	752,231	-	-
Value funds	833,840	833,840	-	-
Index funds	817,721	817,721	-	-
International funds	1,481,170	1,481,170	-	-
Emerging markets funds	680,125	680,125	-	-
Total equity mutual funds	6,210,709	6,210,709	-	-
Total investments	\$ 7,933,420	\$ 7,825,923	\$ 107,497	\$ -

Description	2014			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 68,824	\$ 68,824	\$ -	\$ -
State and municipal bonds	107,877	-	107,877	-
Fixed income mutual funds	1,908,262	1,908,262	-	-
Equity mutual funds				
Growth funds	1,666,765	1,666,765	-	-
Mid-cap blend funds	196,623	196,623	-	-
Value funds	525,191	525,191	-	-
Index funds	1,315,422	1,315,422	-	-
International funds	1,442,383	1,442,383	-	-
Emerging markets funds	725,460	725,460	-	-
Total equity mutual funds	5,871,844	5,871,844	-	-
Total investments	\$ 7,956,807	\$ 7,848,930	\$ 107,877	\$ -

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June 30, 2015 and 2014

Note 12: Subsequent Events

Bond Issuance

The University is pursuing the issuance of approximately \$6,250,000 in Auxiliary System Subordinate revenue bonds. These bonds will bear interest at rates of 1.94% to 2.56%. The purpose of the issuance is to provide for the refunding of the Series 2005 Bonds and provide \$2,500,000 new funds for a real estate purchase and dormitory remodeling.

Dickinson Research Center

In July 2015, a fire occurred at Dickinson Research Center building resulting in substantial damage in building structure. The University is still estimating the loss on the structure and formulating a plan for the repair.

Required Supplementary Information

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Required Supplementary Information
Schedule of the University's Proportionate Share of the Net Pension Liability
Missouri State Employees' Retirement System
June 30, 2015*

University's proportion of the net pension liability	0.8448%
University's proportionate share of the net pension liability	\$ 19,918,271
University's covered-employee payroll	\$ 15,852,748
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.65%
Plan fiduciary net position as a percentage of the total pension liability	79.49%

* The amounts presented for June 30, 2015, were determined as of the end of the preceding fiscal year.

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

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Required Supplementary Information
Schedule of University Contributions
Missouri State Employees' Retirement System
June 30, 2015

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,850,690	\$ 2,757,130
Contributions in relation to the contractually required contribution	<u>2,850,690</u>	<u>2,757,130</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 16,798,404	\$ 15,852,748
Contributions as a percentage of covered-employee payroll	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 year ended June 30, 2014.

Changes of Assumptions

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 Funding Progress for Postemployment Health Care Plan
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$ -	\$ 2,711,406	\$ 2,711,406	0%	\$16,177,687	16.8%
7/1/2009	\$ -	\$ 1,064,605	\$ 1,064,605	0%	\$18,048,020	5.9%
7/1/2011	\$ -	\$ 1,026,924	\$ 1,026,924	0%	\$21,298,411	4.8%
7/1/2013	\$ -	\$ 932,499	\$ 932,499	0%	\$18,802,475	5.0%

Supplementary Information

Lincoln University
A Component Unit of the State of Missouri
Auxiliary Activity Fund
Schedules of Revenues and Expenses
Years Ended June 30, 2015 and 2014

	2015					Total
	Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	
Revenues						
Residence hall contracts	\$ 3,288,195	\$ -	\$ -	\$ -	\$ -	\$ 3,288,195
Housing system appropriation	770,978	-	-	-	-	770,978
Food service	-	2,616,220	-	-	-	2,616,220
Bookstore	-	-	135,807	-	-	135,807
Other	-	-	-	35,687	-	35,687
Vending	-	-	-	32,427	-	32,427
	<u>4,059,173</u>	<u>2,616,220</u>	<u>135,807</u>	<u>68,114</u>	<u>-</u>	<u>6,879,314</u>
Direct Expenses						
Salaries and wages	195,269	-	-	68,201	37,565	301,035
Fringe benefits	54,547	-	-	19,689	8,707	82,943
Equipment purchases	1,167	-	-	-	-	1,167
Contractual services	329,262	1,842,784	1,133	3,367	38,017	2,214,563
Travel	16,520	-	-	-	-	16,520
Supplies, cost of sales	93,462	-	-	1,176	3,515	98,153
Communications	5,824	(1,871)	(1,349)	1,104	1,680	5,388
Utilities	644,957	-	-	-	240	645,197
Other operating	261,634	33	-	654	1,043	263,364
	<u>1,602,642</u>	<u>1,840,946</u>	<u>(216)</u>	<u>94,191</u>	<u>90,767</u>	<u>3,628,330</u>
Excess (Deficiency) of Revenues Over Direct Expenses	<u>\$ 2,456,531</u>	<u>\$ 775,274</u>	<u>\$ 136,023</u>	<u>\$ (26,077)</u>	<u>\$ (90,767)</u>	<u>3,250,984</u>
Indirect Expenses						
Bad debts						48,487
Audit						11,318
Revenue bond trustee fees						6,042
Custodial services						347,142
						<u>412,989</u>
Excess of Revenues Over Expenses						2,837,995
Mandatory Transfer for Principal and Interest on Indebtedness						(2,216,424)
Transfer In						12,442
Nonmandatory Transfer to Plant Fund						<u>(213,332)</u>
Net Increase for the Year						420,681
Net Position, Beginning of Year						<u>3,144,883</u>
Net Position, End of Year						<u>\$ 3,565,564</u>

2014					
Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	Total
\$ 2,592,457	\$ -	\$ -	\$ -	\$ -	\$ 2,592,457
719,025	-	-	-	-	719,025
-	1,692,072	-	-	-	1,692,072
-	-	122,254	-	-	122,254
-	-	-	31,025	-	31,025
-	-	-	17,553	-	17,553
<u>3,311,482</u>	<u>1,692,072</u>	<u>122,254</u>	<u>48,578</u>	<u>-</u>	<u>5,174,386</u>
365,159	-	-	66,761	55,566	487,486
131,310	-	-	22,126	19,147	172,583
-	3,450	-	-	-	3,450
75,611	1,161,398	-	1,948	2,623	1,241,580
2,660	-	-	2,014	-	4,674
29,777	1,620	-	2,559	6,207	40,163
6,917	1,035	(1,318)	1,607	1,870	10,111
650,381	-	-	-	-	650,381
138,826	1,105	-	1,738	1,076	142,745
<u>1,400,641</u>	<u>1,168,608</u>	<u>(1,318)</u>	<u>98,753</u>	<u>86,489</u>	<u>2,753,173</u>
<u>\$ 1,910,841</u>	<u>\$ 523,464</u>	<u>\$ 123,572</u>	<u>\$ (50,175)</u>	<u>\$ (86,489)</u>	<u>2,421,213</u>
					21,794
					12,195
					6,307
					<u>241,539</u>
					<u>281,835</u>
					2,139,378
					(2,279,271)
					<u>152,731</u>
					12,838
					<u>3,132,045</u>
					<u>\$ 3,144,883</u>

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity
Student Financial Assistance Cluster	
Federal Pell Grant Program	U.S. Department of Education
Federal Work-Study Program	U.S. Department of Education
Federal Supplemental Educational Opportunity Grants	U.S. Department of Education
Federal Direct Student Loans	U.S. Department of Education
Research and Development	
Cooperative Research, Education and Extension Service	U.S. Department of Agriculture
Microalgae Based Biofuels and Byproducts	U.S. Department of Agriculture
Evaluate Newly Designed Least Cost Experimental Diets for Bluegill at Commercial Densities	U.S. Department of Agriculture/ Michigan State University
Attracting Minority Students to Environmental Science	U.S. Department of Agriculture
Analysis of the Best Practices in Organic and High Tunnel Vegetable Production	U.S. Department of Agriculture
Gardening as Therapy to Improve Physical and Mental Health	U.S. Department of Agriculture
Tracking Dissolved Organic Nitrogen in Terrestrial Aquatic Systems Using Fluorescence EEM Spectroscopy	U.S. Department of Agriculture
Climate Change, Mitigation and Adaptation in Corn-Based Cropping Systems	U.S. Department of Agriculture/ Iowa State University
Development of Aquaculture Integrated Pest Management Training for Missouri Stakeholders	U.S. Department of Agriculture
Student Understanding of Price Risk Management through Experiential Learning via Distance Education Delivery	U.S. Department of Agriculture University of Missouri
Developing a Behaviorally-Based, Sustainable Integrated Pest Management Push Pull Strategy for Cucumber Beetles in Missouri	U.S. Department of Agriculture
Hydrologic Processes Controlling Stream Water Quality in a Missouri Claypan Water Shed	U.S. Department of Agriculture
LU Natural Resource Program Development, Recruitment and Retention Native Plant Material Program	U.S. Department of Agriculture U.S. Department of Agriculture/ U.S. Forest Service
Expanding Agriculture Production Opportunities and Controlling Invasive Species Utilizing Small Ruminant Grazing Application	U.S. Department of Agriculture
Silver Nanoparticles as Pesticide for Agricultural Applications	U.S. Department of Agriculture
Novel Escherichia Coli Genetic Markers for Water Safety	U.S. Department of Agriculture
Alternative Energy Production and Utilization on Farms: A Workshop	U.S. Department of Agriculture/ University of Minnesota
Enhanced Atrazine Removal from Water by Ordered Mesoporous Carbons	U.S. Department of Agriculture/ Virginia State University
A Practical Approach to Integrating Nanotechnology Education into Agriculture & Environmental Science Curriculum	U.S. Department of Agriculture
Mentoring Students in Natural Resources to Meet the Triple Challenge of Managing Invasive Species and Rare Species in a Changing Climate	U.S. Department of Agriculture
Sustainable Market Development & Resource Use for Specialty Crops	U.S. Department of Agriculture
Quantifying the Impact of Soil Health Management Practices on Soil Properties, Nutrient Cycling and Plant Growth	U.S. Department of Agriculture

CFDA Number	Grant or Identifying Number	Amount Expended
84.063	P063P101741	\$ 7,023,354
84.033	P033A102336	243,640
84.007	P007A102336	68,873
84.268	P268K111741	16,171,822
		<u>23,507,689</u>
10.205	CREN08911	3,180,538
10.216	2010-38821-21444	110,872
10.200	2008-38500-19157	5,854
10.216	2010-38821-21443	9,796
10.912, 10.902	NRCS-68-6424-10-121	87,249
10.216	2010-38821-21525	59,527
10.216	2010-38821-21558	46,933
10.310	2011-68002-30190	234,360
10.500	2011-41530-30797	98
10.217	2011-38411-60562	6,914
10.216	2011-38821-30867	72,431
10.216	2011-38821-30956	113,961
10.216	2011-38821-30964	27,288
None	11-CS-11090500-021	2,569
10.912, 10.902	69-6424-11-142	35,689
10.216	2011-38821-31034	125,696
10.216	2011-38821-31033	117,877
10.500	2011-47001-30538	1,102
10.216	2010-38821-21614	426
10.216	2012-38820-20039	29,953
10.216	2012-38820-20130	34,097
10.216	2012-38814-20289	55,687
10.912, 10.914, 10.924	69-6424-12-167	8,320

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity
Research and Development (Continued)	
Cover Crop Management for Sweet Corn & Green Bean Production Workshop & Demonstration Project	U.S. Department of Agriculture
Adding Cover Crops to Corn Stover for Improved Grazing	U.S. Department of Agriculture
Socio-Economic Factor & Adoption of Energy Crops	U.S. Department of Agriculture
Integrated Management of Foliar Diseases of Watermelon in Missouri	U.S. Department of Agriculture
Safeguard Fresh & Fresh-Cut Vegetables in Situ Through Anti-pathogen Endophytic Bacillus Subtilis	U.S. Department of Agriculture
Students Training Students: Educating Tomorrow's Consumers Today	U.S. Department of Agriculture
Modeling Spatial Variations of Stream Water Quality Associated with Land Uses Using GIS for the Missouri River Watershed	U.S. Department of Agriculture/ Virginia State University
High Through-Put NanoSensor for Accurate & Sensitive Detection of E-Coli	U.S. Department of Agriculture
Hydrologic Regime & Nitrogen Cycling: Understanding the Difference Between Claypan and Loess Watersheds in Missouri	U.S. Department of Agriculture
Prediction & Control of the Performance of Anaerobic Digestion of Animal Manure through Metagenomics for Renewable Energy	U.S. Department of Agriculture
Determination of Dietary Indispensable Amino Acid Requirements for Juvenile Bluegill	U.S. Department of Agriculture
Integrated Research in Single E-Coli O157:H7 Cell Detection & Interactive Education to Build Capacity in Food Safety & Security	U.S. Department of Agriculture
The Use of Grape Products as a Natural Anthelmintic in Sheep	U.S. Department of Agriculture/ University of Minnesota
Establish Native Plant Pollinator Gardens with Honey Bee Colonies	U.S. Department of Agriculture
Detection and Prevention of Footrot Outbreak in Sheep and Goats	U.S. Department of Agriculture
Evaluating Production & Value-Added Potential of Wild Leek and Other Native Greens	U.S. Department of Agriculture/Missouri Department of Agriculture
Evaluating Plant Volatile Organic Compounds as Potential Species-Specific Attractants in the Spotted Wing Drosophila Monitoring Traps	U.S. Department of Agriculture/Missouri Department of Agriculture
Developing Genetically Fast Growing Monosex Male Populations of Bluegill	U.S. Department of Agriculture/ Iowa State University
A Model for Achieving Success in STEM (AMASS)	National Science Foundation
Structure & Kinematics of an Accommodation Zone within the Evolving Afar Triple Junction, Central Afar (Ethiopia & Djibouti)	National Science Foundation
Improving Drinking Water Quality for Small Rural Communities in Missouri	Environmental Protection Agency
Applying Performance Pyramid to STEM Education	National Science Foundation
Applying Performance Pyramid to STEM Education (Participant Costs)	National Science Foundation
Collaborative Research: Structure & Quaternary Kinematics of Amagmatic Rifting in the Central Afar Triple Junction	National Science Foundation
The Missouri Transect: Climate, Plants & Community	National Science Foundation/ University of Missouri
Collaborative Research on Plant Stress Response Through Innovations in Phemonics and Molecular Imaging Techniques	National Science Foundation/ University of Missouri
Catalyst Project: Computational Research on Music & Audio	National Science Foundation
Catalyst Project: Computational Research on Music & Audio (Participant Costs)	National Science Foundation

CFDA Number	Grant or Identifying Number	Amount Expended
10.902, 10.912, 10.924	69-6424-12-150	\$ 897
10.912, 10.914, 10.924	69-6424-12-166	3,850
10.310	2013-67009-20419	23,995
10.303	2012-51120-20252	2,052
10.310	2013-69003-21293	34,301
10.216	2013-38820-21539	43,088
10.216	MO13-212-14-DK	5,517
10.310	2014-67022-21596	55,615
10.216	2013-38821-21461	55,984
10.216	2013-38821-21382	188,394
10.216	2014-38821-22457	55,300
10.216	2014-38821-22431	69,592
10.215	2013-38640-20901	2,352
10.902	69-6424-14-409	1,117
10.215	2014-38640-22156	13,150
10.170	14-SCBGP-MO-0029	3,980
10.170	14-SCBGP-MO-0029	5,754
10.200	2012-38500-19550	2,333
47.076	HRD-1036091	216,034
47.050	EAR-1220450	(245)
66.509	83517301	111,659
47.076	HRD-1238363	68,305
47.076	HRD-1238363	20,832
47.050	EAR-1420054	34,706
47.079	IIA-1355406	59,180
47.079	IIA-1430428	9,249
47.076	HRD-1410586	35,627
47.076	HRD-1410586	3,040
		5,492,895

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity
Cooperative Extension	
Cooperative Extension Programs	U.S. Department of Agriculture
Satellite & Off-Campus Enhancement & Expansion	U.S. Department of Agriculture
RREA – Renewable Resource Extension Account	U.S. Department of Agriculture
EFNEP – Expanded Food Nutritional Program	U.S. Department of Agriculture
Food & Agricultural Sciences: Preparing Future Graduate Students	U.S. Department of Agriculture/ University of Maryland Eastern Shore
Socially Disadvantaged Farmers and Ranchers	U.S. Department of Agriculture
Promoting USDA Programs & Sustainable Agriculture to Socially Disadvantaged Farmers	U.S. Department of Agriculture
McIntire Stennis Cooperative Forestry Act Funds	U.S. Department of Agriculture
Evaluating the Performance and Grazing Behavior of Meat Goats in the Development of a Field Station in Missouri Woodlands	U.S. Department of Agriculture
Enhancing Profitability of Small and Medium Sized Farms through Interactive Decision Making Tools and Modules	U.S. Department of Agriculture/ University of Missouri
Families Integrating Nature, Conservation & Agriculture - The FINCA Model	U.S. Department of Agriculture
Continuing to Promote USDA Outreach Programs & Sustainable Agriculture through the Annual Conference	U.S. Department of Agriculture
Modeling Land Use & Stream Water Quality Using a GIS: A Case Study of Hinkson Creek Watershed	U.S. Department of Agriculture/ Virginia State University
Collaboration with K-12 Institutions & Community Colleges to Enhance Recruitment & Retention in Agriculture & Environmental Sciences	U.S. Department of Agriculture
CES: Capital Improvements	U.S. Department of Agriculture
North Central Regional Aquaculture Center Extension Project	U.S. Department of Agriculture/ Iowa State University
Missouri IPM Program	U.S. Department of Agriculture/ University of Missouri
NCR - SARE	U.S. Department of Agriculture/ University of Minnesota
AG Discovery Summer Enrichment Program	U.S. Department of Agriculture
Partnership to Reach Underserved Landowners and Producers	U.S. Department of Agriculture
Missouri IPM Program	U.S. Department of Agriculture/ University of Missouri
Assistive Technology Program for Farmers with Disabilities	U.S. Department of Agriculture/ University of Missouri
2014 Farm Bill - Producer Education - Lincoln University Extension Services	U.S. Department of Agriculture
Producer Network Development & Education: Scaling Up to Sell Wholesale Into a Food Hub	U.S. Department of Agriculture/University of Nebraska, Lincoln
Improving Weight Gain in Goats Grazing on Cover Crops Selected through Soil Health Samples	U.S. Department of Agriculture/ University of Minnesota
AG Discovery Summer Enrichment Program	U.S. Department of Agriculture
High-Value Horticultural Crop Production	U.S. Department of Agriculture/ University of Missouri

CFDA Number	Grant or Identifying Number	Amount Expended
10.500	EF4408911	\$ 3,070,749
10.500	2003-45200-01765	600,402
10.500	4600008911	15,953
10.500	4151008911	109,244
10.216	2011-38821-30948	45,966
10.443	2009-39300-20152	(3,280)
10.443	59-2501-11-016	21,456
10.202	2010-32100	32,161
10.216	2011-38821-30958	41,695
10.310	2012-68006-30180	14,989
10.216	2012-38821-20103	62,415
10.443	59-2501-11-016S	39,935
10.216	2010-38821-21614	6,436
10.216	2013-38820-21449	27,365
10.500	2013-45200-21362	161,902
10.200	416-40-93F	4,080
10.500	E00042368-1	32,244
10.500		16,003
10.025	14-1001-0835-CA	21,276
10.902	69-6424-14-403	8,020
10.329	2014-70006-22571	32,486
10.500	2014-41590-22323	6,489
None	58-0510-4-035N	24,694
10.500	2012-49200-20032	5,428
10.215	2014-38640-22156	4,819
10.025	15-100-0835-CA	1,328
10.962	CO-CR-15-018	1,493
		4,405,748

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity
Higher Education Institutional Aid	U.S. Department of Education
Higher Education Institutional Aid	U.S. Department of Education
Higher Education Institutional Aid	U.S. Department of Education
TRIO Student Support Services	U.S. Department of Education
State Abstinence Education Primary Prevention Program	U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services
Outsourcing the Academic Phase of Training for the U.S. Army Prime Power School	U.S. Army Corps of Engineers
Missouri Space Grant Consortium	NASA/Missouri University of Science and Technology
Wildlife Initiative Program Center of Excellence in Natural Resource Management	U.S. Department of Agriculture
CIG Demonstrating & Evaluating Cover Crop Over-Seeding Technology Using High Clearance Sprayers	U.S. Department of Agriculture
Rural Business Enterprise Grants	
Enhancing Marketing Produce Cooperatives for Small Farm Profitability & Job Creation	U.S. Department of Agriculture
Enhancing Marketing Produce Cooperatives for Small Farm Profitability & Job Creation	U.S. Department of Agriculture/ Delta Regional Authority
Inclusion of Whole Body Vibration Data Into Medical Cost Avoidance Model	U.S. Army Research Laboratory/ Leonard Wood Institute
Pipeline Development of Skilled Workforce Through Advanced Manufacturing	U.S. Department of Energy/North Carolina A&T State University
Development of Turbulence Models, Uncertainty Quantifications & Optimization Tools for Aircraft & Turbomachinery Analysis & Design	NASA/Washington University
ARRA - State Energy Program	U.S. Department of Energy/Missouri Department of Natural Resources
State Fiscal Stabilization Fund	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services	U.S. Department of Education/ State of Missouri

CFDA Number	Grant or Identifying Number	Amount Expended
84.031B	P031B100021	\$ 989,512
84.031B	P031B120544	1,575,834
84.031B	P031B070025	838,554
		<u>3,403,900</u>
84.042A	P042A101390	<u>381,967</u>
93.235	1201MOAEGP, 1401MOAEGP	<u>400,555</u>
None	W912HQ-11-D-0003	<u>210,856</u>
43.001	NNX10AI92H	<u>22,714</u>
10.028	08-711-0025-CA	<u>17,571</u>
10.912	69-6424-13-301	<u>6,598</u>
10.769	29-072-1089-00	5,007
10.769	MO-0250	1,190
		<u>6,197</u>
12.431	W911NF-14-2-0034	<u>17,862</u>
None	DE-NA002687	<u>2,607</u>
43.008	NNX14AN17A	<u>7,469</u>
81.041	None	<u>1,760,035</u>
84.397	None	<u>34,299</u>
		<u>\$ 39,678,962</u>

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Notes to Schedule

1. This schedule includes the federal awards activity of Lincoln University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, Lincoln University provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Microalga Based Biofuels and Bioproducts	10.216	Missouri University of Science and Technology	\$ 19,901
Tracking Dissolved Organic Nitrogen in Terrestrial Aquatic Systems Using Fluorescence EEM Spectroscopy	10.216	Old Dominion University	16,642
Tracking Dissolved Organic Nitrogen in Terrestrial Aquatic Systems Using Fluorescence EEM Spectroscopy	10.216	University of Missouri	19,272
Hydrologic Processes Controlling Stream Water Quality in a Missouri Claypan Water Shed	10.216	U.S. Department of Agriculture Research Service	23,306
Silver Nanoparticles as Pesticide for Agriculture Applications	10.216	U.S. Department of Agriculture Research Service	31,233
Novel Escherichia Coli Genetic Markers for Water Safety	10.216	University of Missouri	37,769
Sustainable Market Development & Resource Use for Specialty Crops	10.216	University of Missouri	24,207
High Through-Put NanoSensor for Accurate & Sensitive Detection of E-Coli	10.310	University of Missouri	<u>39,207</u>
Total forward			211,537

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Program	CFDA Number	Subrecipient	Amount Provided
Total forward			\$ 211,537
Hydrologic Regime & Nitrogen Cycling: Understanding the Difference Between Loess Watersheds in Missouri	10.216	University of Missouri	36,115
Prediction & Control of the Performance of Anaerobic Digestion of Animal Manure through Metagenomics for Renewable Energy	10.216	University of Missouri	178,575
Integrated Research in Single E-Coli O157:H7 Cell Detection & Interactive Education to Build Capacity in Food Safety & Security	10.216	University of Missouri	7,837
A Model for Achieving Success in STEM (AMASS)	47.076	University of Missouri	28,999
Improving Drinking Water Quality for Small Rural Communities in Missouri	66.509	Missouri University of Science and Technology	26,043
Improving Drinking Water Quality for Small Rural Communities in Missouri	66.509	University of Missouri	32,600
Promoting USDA Programs and Sustainable Agriculture to Socially Disadvantaged Farmers	10.443	University of Missouri	47
Evaluating the Performance and Grazing Behavior of Meat Goats in the Development of a Field Station in Missouri Woodlands	10.216	Langston University	1,470
Evaluating the Performance and Grazing Behavior of Meat Goats in the Development of a Field Station in Missouri Woodlands	10.216	Crowder College	10,408
Continuing to Promote USDA Outreach Programs & Sustainable Agriculture through the Annual Conference	10.443	University of Missouri	<u>7,680</u>
			<u><u>\$ 541,311</u></u>

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

Board of Curators
Lincoln University
Jefferson City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Lincoln University, collectively a component unit of the state of Missouri as of June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 26, 2015, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principles. Our report includes a reference to other auditors who audited the financial statements of Lincoln University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of Lincoln University Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Curators
Lincoln University

Compliance and Other Matters

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

We noted certain matters that we reported to the University's management in a separate letter dated October 26, 2015.

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
October 26, 2015

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 the compliance of Lincoln University with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the University's compliance.

Basis for Qualified Opinion on Student Financial Assistance Cluster

As described in item 2015-001 in the accompanying schedule of findings and questioned costs, Lincoln University did not comply with requirements regarding special tests and provisions for reporting student status changes for its Student Financial Assistance Cluster. Compliance with such requirements is necessary, in our opinion, for Lincoln University to comply with requirements applicable to that program.

Qualified Opinion on Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Student Financial Assistance Cluster for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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 its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matter

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

Report on Internal Control Over Compliance

Management of Lincoln University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in

Board of Curators
Lincoln University

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses and therefore, material weaknesses may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

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

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

BKD, LLP

Springfield, Missouri
October 26, 2015

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster:	
Federal Pell Grant Program	84.063
Federal Workstudy Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Research and Development Cluster	Various
Cooperative Extension Cluster	Various

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$485,138.

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

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2015-001	<p style="text-align: center;">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 2014-2015</p> <p>Criteria or Specific Requirement – Special tests and provisions related to notifying the National Student Loan Data System (NSLDS) of student enrollment status changes on a timely basis.</p> <p>Condition – Four student enrollment status changes were not communicated to NSLDS on a timely basis or were reported incorrectly.</p> <p>Context – Out of a population of 2,904 student enrollment status changes requiring notification transmitted to NSLDS, a sample of 40 student status changes was selected for testing.</p> <p>Effect – NSLDS was not notified of two Fall 2014 graduates. One student’s graduation was reported as a withdraw and not reported in a timely manner to NSLDS. One student’s transition to less than half time was not reported in a timely manner to NSLDS.</p> <p>Cause – One of the student enrollment status changes that was reported incorrectly related to a student who had been enrolled in eight week courses offered by the University. The Registrar’s Office has had difficulty capturing information regarding status changes that involve eight week courses. Student enrollment status changes of graduates were noted to be unreported to NSLDS by the Registrar’s Office.</p>	None

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2015-001 (Continued)	<p>Recommendation – The University should develop system reports that capture the student enrollment changes occurring when students withdraw from eight week courses and when students graduate. The reporting of withdrawal information for eight week courses and of graduation should be used to properly update the Roster File submitted to the National Student Clearinghouse, which is reported to NSLDS. The Registrar’s Office should consider periodically reviewing a sample of student enrollment changes for proper reporting to NSLDS.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The Office of the Registrar will monitor submission files to ensure that accurate and timely submissions are made. Prior to submitting to the clearing house, a random sampling of withdrawn, enrolled and graduated students will be checked for the validation of the data to be sent. Furthermore, any manual status changes will be submitted immediately rather than waiting for the next submission file.</p>	

Lincoln University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Reference Number	Summary of Finding	Status
2014-001	<p style="text-align: center;">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 2013-2014</p> <p>Criteria or Specific Requirement – Special tests and provisions related to notifying the National Student Loan Data System (NSLDS) of student enrollment status changes on a timely basis.</p> <p>Condition – Five student enrollment status changes were not communicated to NSLDS on a timely basis or were reported incorrectly.</p> <p>Context – Out of a population of 578 student enrollment status changes requiring lender notification, a sample of 40 student status changes was selected for testing.</p> <p>Effect – NSLDS was not notified of student enrollment status changes timely for three students and NSLDS was not notified timely or of the correct status for two students.</p> <p>Cause – The student enrollment status changes that were reported untimely or incorrectly related students withdrawing from eight week courses offered by the University. Status changes that involve eight week courses are not properly captured in the University’s reporting to NSLDS through the National Student Clearinghouse.</p>	<p>Unresolved. See Finding 2015-001.</p>