

Lincoln University
Component Unit of the State of Missouri

Independent Auditor's Reports and Financial Statements

June 30, 2016 and 2015

Lincoln University
A Component Unit of the State of Missouri
June 30, 2016 and 2015

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position	21
Lincoln University Foundation, Inc. – Statements of Financial Position	22
Statements of Revenues, Expenses and Changes in Net Position	23
Lincoln University Foundation, Inc. – Statements of Activities	25
Statements of Cash Flows	26
Notes to Financial Statements	28
Required Supplementary Information	
Schedule of the University’s Proportionate Share of the Net Pension Liability - Missouri State Employees’ Retirement System.....	59
Schedule of University Contributions - Missouri State Employees’ Retirement System	60
Schedule of Funding Progress for Postemployment Health Care Plan	61
Other Information	
Auxiliary Activity Fund – Schedules of Revenues and Expenses.....	62
Supplementary Information	
Schedule of Expenditures of Federal Awards	63
Note to the Schedule of Expenditures and Federal Awards	68
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	69
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report	71
Schedule of Findings and Questioned Costs	74
Summary Schedule of Prior Audit Findings	79

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, 2016 and 2015, 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 \$8,357,937 and \$8,540,549 as of June 30, 2016 and 2015, respectively, and total revenues of \$858,036 and \$897,146, 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 and the discretely presented component unit of Lincoln University as of June 30, 2016 and 2015, 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The Auxiliary Activity Fund – Schedule of Revenues and Expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the 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 25, 2016, 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 25, 2016

Lincoln University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

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, 2016 and 2015, with selected comparative information for the year ended June 30, 2014. 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. During fiscal year 2016, Lincoln University offered 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 Bachelor of Music Education (B.M.E) was eliminated in summer 2016.

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 and management information systems; Master of Science (M.S.) in environmental science, natural sciences and integrated agricultural systems. A Master of Arts (M.A.) in education with emphasis in Historical Black Colleges and Universities (HBCU) was added in fall 2016. 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, 2016, 2015 and 2014, is as follows:

	2016	2015	2014
	(In Millions)		
Assets and Deferred Outflows of Resources			
Current assets	\$ 29.5	\$ 22.4	\$ 18.9
Capital assets, net	83.4	81.0	83.5
Other noncurrent assets	3.5	4.5	4.6
Deferred outflows of resources	<u>5.6</u>	<u>3.2</u>	<u>0.3</u>
Total assets and deferred outflows of resources	<u>122.0</u>	<u>111.1</u>	<u>107.3</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities	8.7	6.2	5.6
Noncurrent liabilities	51.7	43.9	25.2
Deferred inflows of resources	<u>0.5</u>	<u>5.8</u>	<u>0.0</u>
Total liabilities and deferred inflows of resources	<u>60.9</u>	<u>55.9</u>	<u>30.8</u>
Net Position			
Net investment in capital assets	62.1	59.4	60.1
Restricted – nonexpendable	0.1	0.1	0.1
Restricted – expendable	3.1	2.8	2.2
Unrestricted	<u>(4.2)</u>	<u>(7.1)</u>	<u>14.1</u>
Total net position	<u>\$ 61.1</u>	<u>\$ 55.2</u>	<u>\$ 76.5</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 was not possible to entirely restate fiscal year 2014 data. When possible, comparative data has been provided.

During the 2016 fiscal year, total assets and deferred outflows of resources increased by \$10.9 million, total liabilities and deferred inflows of resources increased by \$5 million. The total net position increased by \$5.9 million compared to fiscal year 2015. The increase in assets was primarily a result of an increase of \$3.4 million in receivables related to capital projects including House Bill 19, University Wellness and Parks Multi-Purpose Recreation Center, and revenue bond proceeds along with an increase of \$2.4 million in deferred outflows of resources related to pension plan reporting as required by GASB Statements No. 68 and No. 71 (see *Note 6*).

In fiscal year 2016, the University's current assets of \$29.5 million were sufficient to cover current liabilities of \$8.7 million. The current ratio in 2016 decreased to 3.4 compared to the current ratio of 3.6 in 2015 however, it is comparable to the current ratio of 3.4 in 2014.

The University's liabilities and deferred inflows of resources totaled \$60.9 million at June 30, 2016, and \$55.9 million at June 30, 2015. Noncurrent liabilities totaled \$51.7 million in 2016 and \$43.9 million in 2015. In 2015 and subsequent years, noncurrent liabilities 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 and prior, consisted primarily of bonds and notes payable. The change in liabilities and deferred inflows of resources in fiscal year 2016 was primarily a result of an increase in accounts payable and accrued liabilities of \$2.0 million. The largest component of accounts payable and accrued liabilities was construction related accounts payable. In addition, the net pension liability increased in the amount of \$7.9 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.

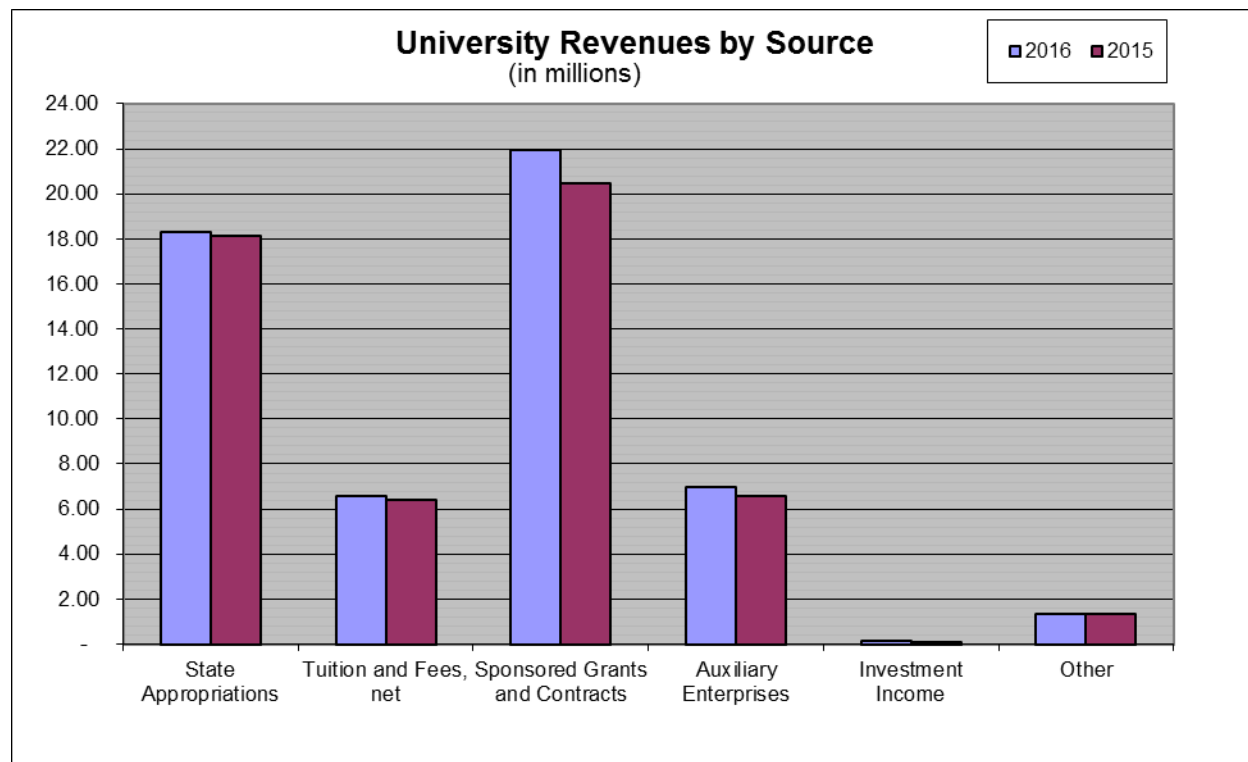
A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2016, 2015 and 2014, is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(In Millions)		
Operating revenues	\$ 13.9	\$ 12.9	\$ 11.5
Operating expenses	<u>51.8</u>	<u>50.6</u>	<u>49.8</u>
Operating loss	(37.9)	(37.7)	(38.3)
Net nonoperating revenues	<u>40.2</u>	<u>38.9</u>	<u>36.3</u>
Income (loss) before other revenues, expenses, gains or losses	2.3	1.2	(2.0)
Impairment gain on fire damage, net of insurance recovery	0.1	-	-
Capital appropriations	2.8	-	-
Capital grants and gifts	<u>0.7</u>	<u>1.3</u>	<u>0.6</u>
Increase (decrease) in net position	<u>5.9</u>	<u>2.5</u>	<u>(1.4)</u>
Net position, beginning of year, as previously reported	55.2	76.5	-
Cumulative effect of change in accounting principle	<u>-</u>	<u>(23.8)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>55.2</u>	<u>52.7</u>	<u>77.9</u>
Net position, end of year	<u>\$ 61.1</u>	<u>\$ 55.2</u>	<u>\$ 76.5</u>

The total operating loss for fiscal year 2016 was \$37.9 million, all of which was offset by nonoperating revenues of \$40.2 million. The largest component of nonoperating revenues is federal grants and contracts followed by state appropriations. Although, these revenues support operating expenses, Governmental Accounting Standards Board (GASB) mandates that these revenues be recorded as nonoperating revenues.

Revenues (Operating and Nonoperating)

The following graph displays the components of the University's revenues for fiscal years 2016 and 2015:



As shown above, the largest component of total revenues (operating and nonoperating) is grants and contracts followed by state appropriations. In fiscal year 2016, the University received performance funding which increased the state appropriations compared to fiscal year 2015. Even with this increase, the University is still \$0.9 million short of fiscal year 2010 appropriations. State appropriations now account for 33% of University revenues compared to 36% in fiscal year 2010.

Student tuition and fees revenue of \$6.6 million is shown net of \$9.4 million in scholarship allowances, \$2.2 million in tuition discounts and \$0.2 million in bad debt.

The following table represents the details of the University's grants and contracts revenue for the year ended June 30, 2016:

Federal sources	
Department of Agriculture	\$ 8,520,419
Department of Education (excluding financial aid)	4,857,496
Department of Defense	527,996
Department of Health and Human Services	347,988
National Aeronautics and Space Administration	77,901
Environmental Protection Agency	96,262
National Science Foundation	660,195
Other Federal Sources	<u>54,641</u>
Total federal sources	<u>15,142,898</u>
Nonfederal sources	
State, local and private	<u>732,962</u>
Total nonfederal sources	<u>732,962</u>
Total all sources	<u>\$ 15,875,860</u>

Operating Revenues

The following table summarizes the University's operating revenues by source for the years ended June 30, 2016, 2015 and 2014:

	2016	2015	2014
	(In Millions)		
Tuition and fees, net	\$ 6.6	\$ 6.4	\$ 6.6
Grants and contracts	0.6	0.3	0.2
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	6.2	5.8	4.3
Other	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>
Total operating revenues	<u>\$ 13.9</u>	<u>\$ 12.9</u>	<u>\$ 11.5</u>

Operating revenues increased slightly between fiscal years 2015 and 2016. The largest increase, \$0.4 million, relates to Auxiliary enterprises. This was primarily due to the growth in residential enrollment and the increase in room and board rates. Tuition and fees are stated net of \$9.4 million in allowances, \$2.2 million in tuition discounts and \$0.2 million in bad debt in 2016. Tuition credit hour rates did not increase from 2015, however the methodology of technology fees changed from a per credit hour rate to a flat semester rate. In addition, building maintenance fees increased and an online education course fee was established in 2016.

In fiscal year 2015, tuition and fees, net of \$9.4 million in scholarship allowances, \$1.6 million in tuition discounts, and bad debt of \$0.2 million, decreased to \$6.4 million compared to \$6.6 million in 2014. This net decrease in tuition and fees of \$0.2 million comes as a result of an increase in enrollment in 2015 offset by an increase in the Neighboring States Program and 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.

Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2016, 2015 and 2014:

	2016	2015	2014
	(In Millions)		
Compensation and benefits	\$ 31.0	\$ 31.0	\$ 31.1
Contractual services	8.3	6.7	5.9
Supplies and materials	1.5	1.8	1.6
Depreciation and amortization	5.8	6.0	6.2
Utilities/communications	1.9	1.9	2.0
Scholarships and fellowships	0.2	0.2	0.3
Other	<u>3.1</u>	<u>3.0</u>	<u>2.7</u>
Total operating expenses	<u>\$ 51.8</u>	<u>\$ 50.6</u>	<u>\$ 49.8</u>

During fiscal year 2016, operating expenses were \$51.8 million, an increase of \$1.2 million compared to 2015. In December 2015, the University outsourced the operations of the Physical Plant department. This transition impacted several expense categories. Resource reallocations were made between compensation and benefits and supplies and materials to contractual services. The decrease in compensation and benefits created by the reallocation of the outsourcing was offset by salary adjustments for administrative support staff.

Operating expenses in 2015 increased to \$50.6 million from \$49.8 million in 2014. The largest component of operating expenses is compensation and benefits which was reduced by \$0.1 million from 2014. 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 predominately remained steady.

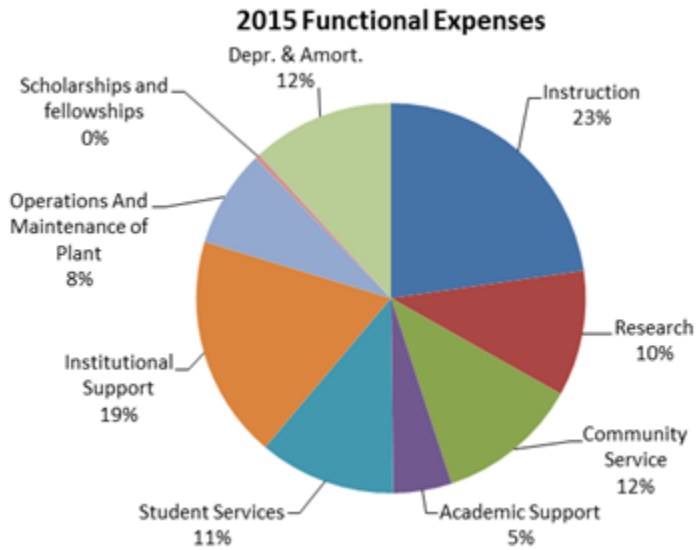
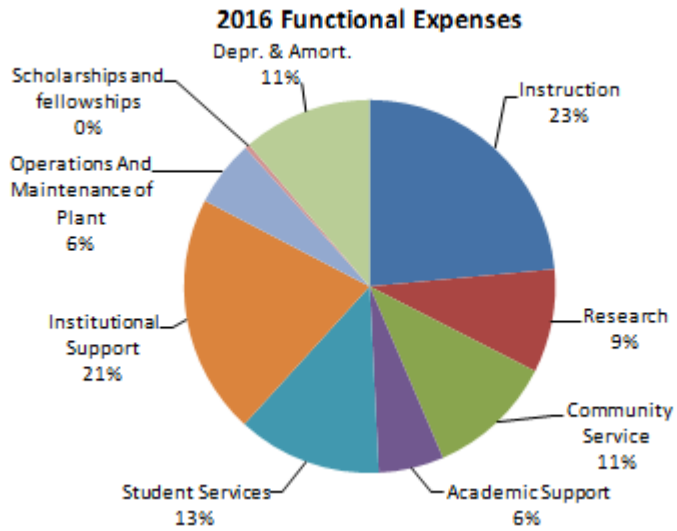
In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2016, 2015 and 2014, is as follows:

Expenses by Functional Category

	2016	2015	2014
	(In Millions)		
Instruction	\$ 12.2	\$ 11.5	\$ 11.5
Research	4.7	5.3	5.6
Community service	5.7	6.0	6.6
Academic support	2.9	2.5	2.4
Student services	6.5	5.7	5.4
Institutional support	10.8	9.3	8.1
Operations and maintenance of plant	3.0	4.1	3.7
Scholarships and fellowships	0.2	0.2	0.3
Depreciation and amortization	5.8	6.0	6.2
Total expenses	\$ 51.8	\$ 50.6	\$ 49.8

The University's total operating expenses directly support the primary mission of the University: Instruction, Research and Community Service. In 2016, the total of these three categories was \$22.6 million or 43.6% of the total expenses compared to \$22.8 million or 45.1% of total expenses in 2015.

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, 2016, 2015 and 2014:

Nonoperating Revenues and Expenses

	2016	2015	2014
	(In Millions)		
State appropriations	\$ 18.3	\$ 18.1	\$ 16.8
Federal grants and contracts	21.0	20.0	19.0
State grants and contracts	0.3	0.3	0.3
Interest on indebtedness	(1.0)	(1.2)	(1.2)
Investment income	0.1	0.1	0.1
Other	<u>1.5</u>	<u>1.6</u>	<u>1.3</u>
Total nonoperating revenues and expenses	<u>\$ 40.2</u>	<u>\$ 38.9</u>	<u>\$ 36.3</u>

Federal grants and contracts is the largest component of the University's nonoperating revenues followed by state appropriations. In fiscal year 2016, the University received new appropriations of \$0.2 million in performance funding. The fiscal year 2015 increase in appropriations included \$0.5 million for land grant match and \$0.5 million in performance funding along with \$0.3 million added back to base appropriations reduced in fiscal year 2014.

The federal grants and contracts increased by \$1.0 million in 2016 due primarily to the receipt of additional Title III SAFRA funding offset by the decrease in student financial aid and the student support services TRIO grant.

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, 2016, 2015 and 2014:

Cash Flows

	2016	2015	2014
	(In Millions)		
Cash Provided by (Used in)			
Operating activities	\$ (32.3)	\$ (32.0)	\$ (31.8)
Noncapital financing activities	39.7	39.7	36.6
Capital and related financing activities	(6.1)	(4.6)	(4.1)
Investing activities	<u>1.8</u>	<u>(1.3)</u>	<u>(2.4)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3.1	1.8	(1.7)
Cash and Cash Equivalents, Beginning of the Year	<u>4.5</u>	<u>2.7</u>	<u>4.4</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 7.6</u>	<u>\$ 4.5</u>	<u>\$ 2.7</u>

In fiscal year 2016, cash and cash equivalents increased by \$3.1 million compared to 2015. Approximately \$32.3 million of cash was used for operating activities, offset by \$39.7 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and federal and state grants and contract revenues received for other than capital purposes.

During fiscal year 2016, cash used for operating activities increased by \$0.3 million compared to 2015. The change in operating activities relates to the overall increase in cash used for expenses offset by the increase in cash provided by tuition and fees and auxiliary enterprise activities. The net cash provided by noncapital financing activities remained steady in 2016.

Cash used for capital and related financing activities in 2016 was \$6.1 million, an increase of \$1.5 million compared to 2015. 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. The increase was also a result of the issuance of Auxiliary System Supplemental Revenue Bonds, Series 2015 which refunded Auxiliary System Refunding Revenue Bonds, Series 2005, as well as the net impact on cash related to the fire at the Dickinson Research Center.

Cash provided by investing activities in fiscal year 2016 was \$1.8 million compared to \$1.3 million which was used 2015. This is an overall change of \$3.1 million. By comparison, the University purchased \$1.3 million less in investments, while the sales of investments increased by \$1.8 million. The University employs an investment strategy to maximize investment opportunities. While interest rates continue to be stagnant and investment opportunities are limited, the general operating fund interest revenue increased by 35% in fiscal year 2016 compared to 2015. The remainder of the increase is attributable to the positive market fluctuation of revenue bond-related investments. 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 2015, cash and cash equivalents increased by \$1.8 million compared to 2014. Approximately \$32.0 million of cash was used for operating activities, offset by \$39.7 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and federal and state grants and contract revenues received for other than capital purposes.

The change in operating activities in 2015 was an overall increase in cash used of \$0.2 million. 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.

There was an increase in cash received from noncapital financing activities in 2015 of \$3.1 million. The change in noncapital financing activities was affected by the increase in state appropriations as well as the revenue from federal grants and contracts.

The net increase in cash used for capital and related financing activities in 2015 compared to 2014 was \$0.5 million. 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.

Capital Assets

At June 30, 2016, the University had approximately \$83.4 million invested in capital assets, net of accumulated depreciation of approximately \$99.0 million. At June 30, 2015, the University had approximately \$81.0 million invested in capital assets, net of accumulated depreciation of approximately \$95.4 million.

Depreciation charges for the current year totaled approximately \$5.8 million. The following table summarizes the University's capital assets, net of accumulated depreciation, as of June 30, 2016, 2015 and 2014.

Capital Assets, Net

	2016	2015	2014
	(In Millions)		
Land and land improvements	\$ 6.8	\$ 7.0	\$ 6.8
Buildings	66.8	68.8	70.0
Furniture, fixtures and equipment	3.9	4.0	4.8
Infrastructure	0.3	0.5	0.8
Library materials	0.1	0.1	0.1
Construction in progress	<u>5.5</u>	<u>0.6</u>	<u>1.0</u>
Total capital assets, net	<u>\$ 83.4</u>	<u>\$ 81.0</u>	<u>\$ 83.5</u>

Major construction projects that began in fiscal year 2015 and/or fiscal year 2016 and were completed in fiscal year 2016 include Small Animal Research Facility roof replacement (\$124,299), Teaching Greenhouse Headhouse renovation (\$143,440), Young Hall flat roof replacement (\$98,500), Elliff Hall roof replacement (\$225,000), Scruggs University Center roof replacement (\$332,140), design of the new University Wellness and Parks Multi-Purpose Recreational 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.

Major projects that began in fiscal year 2016 and will be complete in fiscal year 2017 include the Small Animal Research Facility roof replacement (\$102,528), Small Ruminant Building construction (\$636,732), Young Hall and Soldiers Hall HVAC project (\$260,947), Power Plant roof replacement (\$136,228), Founders Hall roof replacement (\$284,273), Richardson Fine Arts Center roof replacement over Mitchell Auditorium (\$157,536), Young Hall renovations (\$1,000,697), Leslie Plaza Marketing Design Center (\$203,651), design of the reconstruction of Dickinson Research Center due to a fire (\$123,500), renovations at 601 Jackson (President's Residence) (\$542,707), construction of the University Wellness and Parks Multi-Purpose Recreational Center (\$11,569,803) and Martin Hall revitalization (\$2,230,130). These projects are funded by local funds, the 1890 Facilities grant, Title III, funds received from the City of Jefferson Parks and Recreation Department and House Bill 19 funds from the state for deferred maintenance.

Bonds and Capital Leases

As of June 30, 2016, the University had approximately \$23.0 million in outstanding revenue bonds compared to \$22.6 million in 2015, an increase of \$0.4 million, due to the issuance of Auxiliary System Supplemental Revenue Bonds, Series 2015 which refunded Auxiliary System Refunding Revenue Bonds, Series 2005 and provided resources to enhance an existing residential hall.

Bonds and Capital Lease Debt

	2016	2015	2014
	(In Millions)		
Revenue bonds	\$ <u>23.0</u>	\$ <u>22.6</u>	\$ <u>23.7</u>

Student Enrollment

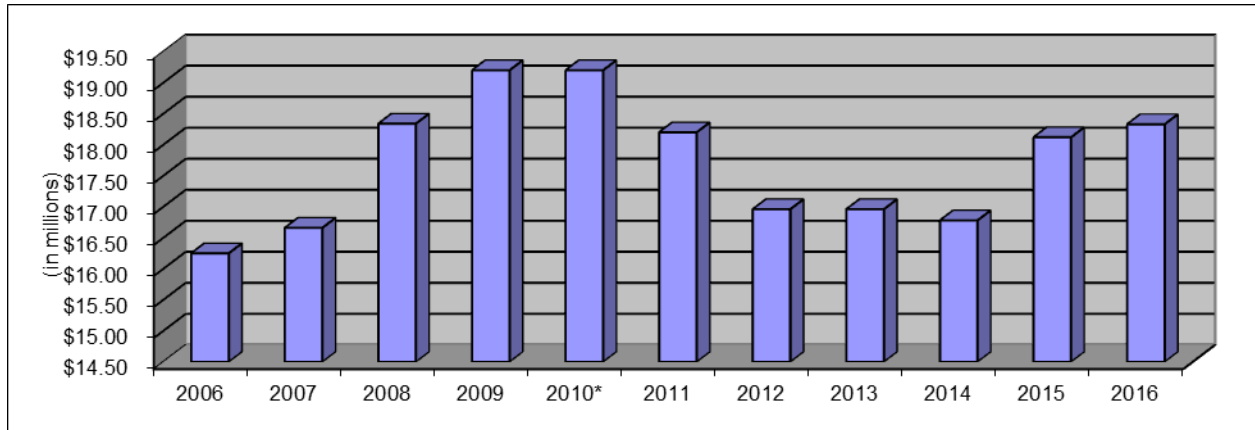
Following are highlights of student demographics for the fall 2015, 2014 and 2013 semesters of fiscal years 2016, 2015 and 2014, respectively.

	2016	2015	2014
Undergraduate	2,821	2,977	2,892
Graduate	<u>123</u>	<u>140</u>	<u>151</u>
Total students	<u>2,944</u>	<u>3,117</u>	<u>3,043</u>
Full-time	2,027	2,089	1,916
Part-time	917	1,028	1,127
Male	1,318	1,354	1,300
Female	1,626	1,763	1,743
Credit hours generated	34,318	34,026	32,079
Student full-time equivalent	2,301	2,284	2,155
Resident	931	880	682
Commuter	<u>2,013</u>	<u>2,237</u>	<u>2,361</u>
Total students	<u>2,944</u>	<u>3,117</u>	<u>3,043</u>
	2016	2015	2014
In-state	2,373	2,628	2,672
Out-state	504	427	312
International	<u>67</u>	<u>62</u>	<u>59</u>
Total students	<u>2,944</u>	<u>3,117</u>	<u>3,043</u>
Total number of degrees awarded	342	394	462
Number of students in dual – credit courses	515	526	563
Associate degree programs	8	8	8
Undergraduate degree programs	47	47	47
Graduate degree programs	<u>13</u>	<u>13</u>	<u>13</u>
Total degree programs	<u>68</u>	<u>68</u>	<u>68</u>

In reviewing University enrollment trends, the chart above shows an increase of 5.8% in residential student enrollment between fall 2015 and fall 2014. In fall 2015, both the credit hours generated and the student full-time equivalent increased.

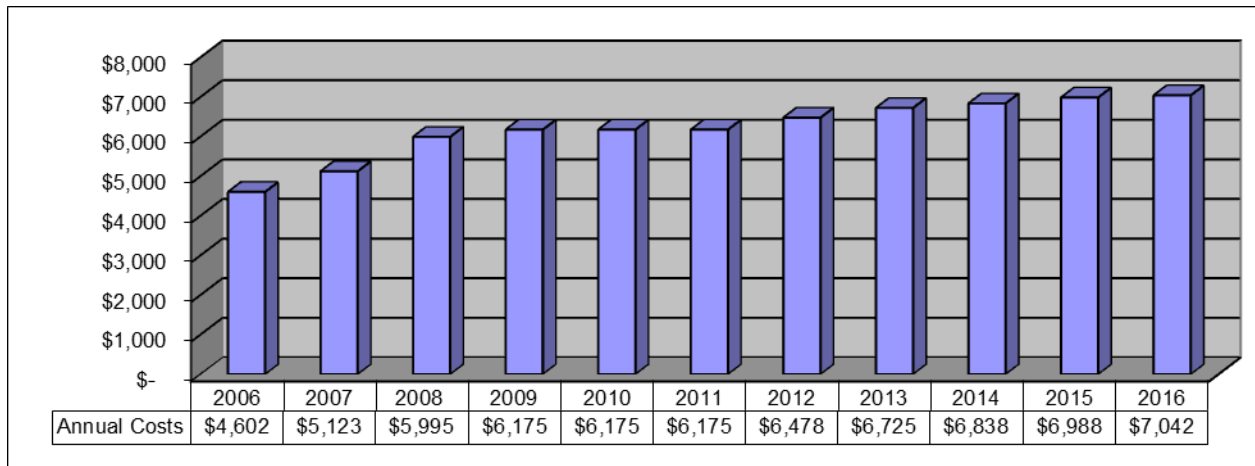
Trends

State Appropriations by Fiscal Year

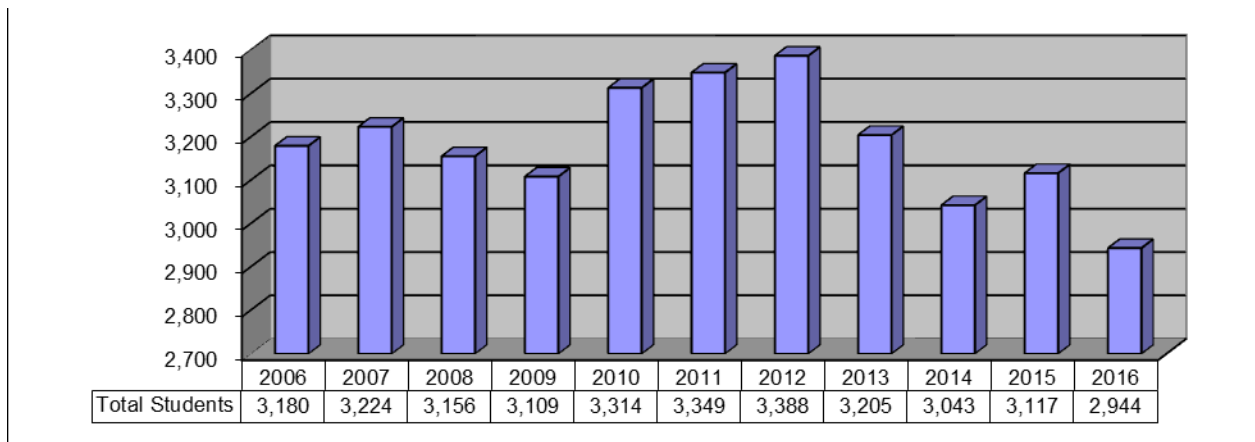


*Excludes the one-time state appropriations for the Caring for Missourian program.

Full-Time Resident Tuition and Required Fees per Year



Student Enrollment for Fall Semesters by Fiscal Year



Fiscal Year 2017 Outlook

General Fund Operating Budget

The Lincoln University Board of Curators approved a \$36.9 million general fund operating budget for fiscal year 2017. State appropriations are the largest component of the 2017 budget. In 2017, the University anticipated state appropriations of \$20,455,480 which reflects a 4% increase in base appropriations for performance funding as well as an increase of \$1.5 million for land grant match. The performance funding amount was based on the University meeting all five of the performance measures for the second year in a row. Due to the uncertainty of 2017 state revenues, the Governor withheld \$1 million (gross) of the land grant match appropriation. The University will continue to monitor the status of the withholding.

Capital Projects

Upcoming projects identified for design and or construction during fiscal year 2017 include the rebuild and/or new addition onto Dickinson Research Center (pending insurance settlement), new satellite Extension Office in Sikeston, MO, various HVAC renovations, exterior waterproofing/foundation system repairs at various buildings and restroom renovations in Martin Luther King Hall and Founders Hall. Projects will be funded by Title III, 1890 Facilities grant funds, local funds and state appropriation.

Technological Advancements

The University Office of Information Technology works to support the institution's mission through the use of technology. This section highlights a few projects over the course of the year that have made a substantial technological improvement to the institution.

A new database administrator was hired to support Ellucian® Colleague® and ERP system SQL databases. The Exchange email server was upgraded and migrated from 2003 to 2013. A new wireless controller was obtained that will assist in the capability for wireless expansion on campus. Significant improvements have been made to the University's website. A contract for a comprehensive technology assessment was awarded to CampusWorks, Inc., who have assessed the current state of technology on the campus and presented their findings to the President's cabinet. Other projects have served to enhance technology for recruitment and in academics, such as the implementation of Ellucian® Recruit Admissions Management, Skyfactor/Mapworks student success and retention product, Hyland OnBase® Transcript Capture, which was integrated with the Ellucian® Colleague® system. There was also a hardware update of student computer labs in Stamper Hall and Page Library and the addition of academic program space in Leslie Plaza.

Looking forward to fiscal year 2017, plans have been solidified for the replacement of key outdated components in the wired infrastructure and for implementation of wireless expansion in the academic quadrant. Plans have also been solidified for more servers to be updated. Additionally, options are being explored for updating the telephone and voicemail systems, as well as further updating of the wired 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 mid-cycle 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.

The Accreditation Commission for Education in Nursing (ACEN) accredited the Bachelor of Science in Nursing program after a site visit in November 2015. The entire nursing program will be reviewed for reaccreditation in fall 2017. The new BSN program will graduate its first class in December 2017.

The University is currently reviewing all of its academic programs.

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, Central Bank 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 on the Board of Directors for the Association of Public and Land-Grant Universities (APLU), as Assistant Chair of the Council of 1890 Universities Executive Committee - APLU and is Chair 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, a native of Houston, Texas, 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. 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, Community and Government Relations, Alumni Affairs and Athletics.

Chief of Staff

Mr. Joseph Watkins currently serves as Chief of Staff to the President at Lincoln University and arrived in August 2015. His responsibilities as Chief of Staff include presidential logistics, special projects from the president and community relations initiatives. As of July 1, 2016, Watkins gained oversight of the Office of Information Technology, the Lincoln University Police Department and Human Resources. Prior to arriving at Lincoln University, Watkins was the Alumni Relations Manager for Ohio University's Center for Sports Administration. In addition to his Alumni Relations Manager role, Watkins led two separate fundraising initiatives which generated in excess of \$62,000 in revenue in fiscal year 2015. Preceding his experience at Ohio University, Watkins worked with Duke University's Athletics Department in the capacities of compliance and recreation.

Watkins is the youngest of 12 children and hails from the hometown of Virginia Beach, Virginia. Watkins attended North Carolina Central University where he obtained his Bachelors in Sports Management and a business minor. Watkins continued his education at Ohio University where he obtained a Masters of Business Administration and a Masters of Sports Administration.

Lincoln University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2016 and 2015

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 7,560,692	\$ 3,563,839
Short-term investments	13,358,713	15,034,978
Accounts receivable, net of allowance; 2016 – \$517,900, 2015 – \$379,586	1,513,528	937,225
Federal and state grants receivable	3,401,408	2,690,816
State appropriations receivable	442,903	-
Capital project receivable	1,005,230	93,793
Revenue bonds proceeds receivable	2,079,994	-
Prepaid expenses	15,450	11,197
Other	110,763	59,995
	29,488,681	22,391,843
Total current assets		
Noncurrent Assets		
Restricted cash equivalents	25,955	923,743
Restricted investments	1,374,525	1,367,226
Long-term investments	107,000	219,000
Short-term endowment investments	354,000	589,939
Long-term endowment investments	1,198,453	832,000
Bond insurance costs	431,279	530,331
Capital assets, net	83,402,305	80,976,513
	86,893,517	85,438,752
Total noncurrent assets		
Total assets	116,382,198	107,830,595
Deferred Outflows of Resources		
Loss on refunding of bonds	303,574	317,333
Deferred outflows of resources related to pension	5,361,467	2,928,303
	5,665,041	3,245,636
Total deferred outflows of resources		

Liabilities

	<u>2016</u>	<u>2015</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,409,228	\$ 2,456,902
Accrued compensated absences	785,254	752,391
Postemployment benefit obligation	57,684	58,824
Unearned revenue	1,992,372	1,622,713
Current portion of long-term debt	<u>1,425,859</u>	<u>1,275,769</u>
Total current liabilities	<u>8,670,397</u>	<u>6,166,599</u>
Noncurrent Liabilities		
Deposits held in custody for others	94,769	95,625
Accrued compensated absences	568,632	722,886
Postemployment benefit obligation	14,170	28,335
Long-term debt	23,226,612	23,177,476
Net pension liability	<u>27,798,365</u>	<u>19,918,271</u>
Total noncurrent liabilities	<u>51,702,548</u>	<u>43,942,593</u>
Total liabilities	<u>60,372,945</u>	<u>50,109,192</u>

Deferred Inflows of Resources

Deferred inflows of resources related to pension	<u>549,810</u>	<u>5,807,676</u>
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Net Position

Net investment in capital assets	62,077,089	59,426,835
Restricted nonexpendable for endowment	56,352	56,352
Restricted expendable for		
Research	184,648	165,812
Debt service	9,964	990
Term endowment	1,335,395	1,324,072
Other	1,698,349	1,257,338
Unrestricted	<u>(4,237,313)</u>	<u>(7,072,036)</u>
Total net position	<u>\$ 61,124,484</u>	<u>\$ 55,159,363</u>

Lincoln University
A Component Unit of the State of Missouri
Lincoln University Foundation, Inc.
Statements of Financial Position
June 30, 2016 and 2015

Assets

	2016	2015
Cash and cash equivalents	\$ 659,409	\$ 585,269
Contributions receivable	30,013	13,534
Accrued investment income	1,800	1,751
Investments	7,660,625	7,933,420
Cash surrender value of life insurance	6,090	6,575
Total assets	\$ 8,357,937	\$ 8,540,549

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 75,992	\$ 79,352
Loan payable	248,629	-
Total liabilities	324,621	79,352

Net Assets

Unrestricted	102,677	92,686
Temporarily restricted	3,620,959	4,057,121
Permanently restricted	4,309,680	4,311,390
Total net assets	8,033,316	8,461,197
Total liabilities and net assets	\$ 8,357,937	\$ 8,540,549

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$9,362,321 – 2016 and \$9,380,608 – 2015 and bad debt expense of \$213,577 – 2016 and \$194,119 – 2015)	\$ 6,598,235	\$ 6,387,775
Federal grants and contracts	538,565	218,326
State grants and contracts	36,040	34,240
Sales and services of educational activities	72,414	40,927
Auxiliary enterprises (net of scholarship allowances of \$372,224 – 2016 and \$208,795 – 2015 and bad debt expense of \$53,394 – 2016 and \$48,487 – 2015)	6,205,336	5,832,838
Other	468,441	337,501
	<u>13,919,031</u>	<u>12,851,607</u>
Operating Expenses		
Compensation and benefits	30,952,575	30,949,089
Contractual services	8,341,241	6,742,970
Travel	1,506,172	1,473,101
Supplies and materials	1,473,162	1,826,947
Scholarships and fellowships	211,384	221,416
Depreciation and amortization	5,835,376	5,985,449
Communications	127,612	114,708
Utilities	1,724,679	1,751,446
Other	1,611,279	1,558,109
	<u>51,783,480</u>	<u>50,623,235</u>
Operating Loss	<u>(37,864,449)</u>	<u>(37,771,628)</u>
Nonoperating Revenues (Expenses)		
State appropriations	18,333,768	18,123,417
Federal grants and contracts	21,009,512	19,894,773
Recovery of administrative costs	1,235	10,011
State and local grants and contracts	346,678	317,255
Contributions	44,235	8,155
Student fees for capital projects	757,555	770,978
Loss on disposal of capital assets	(4,677)	(62,384)
Investment income	121,431	77,191
Interest on capital asset-related debt	(1,099,321)	(1,175,776)
Other nonoperating revenues	739,007	956,608
	<u>40,249,423</u>	<u>38,920,228</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Income Before Other Revenues, Expenses, Gains or Losses	\$ 2,384,974	\$ 1,148,600
Gain on Dickinson Research Facility Fire	53,775	-
Capital Appropriations - State	2,817,954	-
Capital Grants and Gifts	<u>708,418</u>	<u>1,268,194</u>
Increase in Net Position	5,965,121	2,416,794
Net Position, Beginning of Year, as Restated	<u>55,159,363</u>	<u>52,742,569</u>
Net Position, End of Year	<u><u>\$ 61,124,484</u></u>	<u><u>\$ 55,159,363</u></u>

Lincoln University
A Component Unit of the State of Missouri
Lincoln University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support				
Contributions	\$ 602,203	\$ -	\$ -	\$ 602,203
Special events	106,630	14,525	-	121,155
Investment return	360	(8,008)	14,001	6,353
Other revenue	2,630	124,352	1,343	128,325
	<u>711,823</u>	<u>130,869</u>	<u>15,344</u>	<u>858,036</u>
Net assets released from restrictions	<u>584,085</u>	<u>(567,031)</u>	<u>(17,054)</u>	<u>-</u>
Total revenues and other support	<u>1,295,908</u>	<u>(436,162)</u>	<u>(1,710)</u>	<u>858,036</u>
Expenses				
Program services				
Scholarships	272,588	-	-	272,588
Direct payments	594,966	-	-	594,966
	<u>867,554</u>	<u>-</u>	<u>-</u>	<u>867,554</u>
Support services				
Management and general	132,801	-	-	132,801
Fundraising	285,562	-	-	285,562
	<u>418,363</u>	<u>-</u>	<u>-</u>	<u>418,363</u>
Total expenses	<u>1,285,917</u>	<u>-</u>	<u>-</u>	<u>1,285,917</u>
Change in net assets	9,991	(436,162)	(1,710)	(427,881)
Net Assets, Beginning of Year	<u>92,686</u>	<u>4,057,121</u>	<u>4,311,390</u>	<u>8,461,197</u>
Net Assets, End of Year	<u>\$ 102,677</u>	<u>\$ 3,620,959</u>	<u>\$ 4,309,680</u>	<u>\$ 8,033,316</u>

See Notes to Financial Statements

2015				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
\$ 151,434	\$ 360,312	\$ 89,640	\$	601,386
94,099	18,271	-		112,370
7,095	68,630	29,305		105,030
75	78,285	-		78,360
252,703	525,498	118,945		897,146
630,600	(640,600)	10,000		-
883,303	(115,102)	128,945		897,146
266,547	-	-		266,547
306,496	-	-		306,496
573,043	-	-		573,043
134,639	-	-		134,639
304,463	-	-		304,463
439,102	-	-		439,102
1,012,145	-	-		1,012,145
(128,842)	(115,102)	128,945		(114,999)
221,528	4,172,223	4,182,445		8,576,196
\$ 92,686	\$ 4,057,121	\$ 4,311,390	\$	8,461,197

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Tuition and fees	\$ 6,848,665	\$ 6,321,724
Grants and contracts	574,605	252,566
Payments to suppliers	(15,213,848)	(12,808,337)
Payments to employees	(30,926,367)	(31,885,811)
Sales and services of auxiliary enterprises	5,928,711	5,784,605
Sales and services of educational activities	72,414	40,927
Other receipts and deposits	416,817	312,867
	<u>(32,299,003)</u>	<u>(31,981,459)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	18,333,768	18,123,417
Gifts and grants for other than capital purposes	20,674,714	20,696,575
Other receipts	740,242	966,619
	<u>39,748,724</u>	<u>39,786,611</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
State appropriations for capital improvements	2,375,051	-
Capital grants and gifts	710,223	776,852
Student fees for capital projects	757,555	770,978
Purchase of capital assets	(7,690,340)	(3,891,547)
Insurance proceeds from building fire	911,790	-
Building fire cleanup payments	(281,126)	-
Proceeds from capital debt	4,044,118	-
Principal paid on capital debt	(5,887,839)	(1,207,965)
Interest paid on capital debt	(1,061,971)	(1,133,042)
	<u>(6,122,539)</u>	<u>(4,684,724)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Investment income	121,431	77,191
Proceeds from sales and maturities of investments	21,802,564	20,013,180
Purchases of investments	(20,152,112)	(21,431,967)
	<u>1,771,883</u>	<u>(1,341,596)</u>
Net cash provided by (used in) investing activities		
Increase in Cash and Cash Equivalents	3,099,065	1,778,832
Cash and Cash Equivalents, Beginning of Year	<u>4,487,582</u>	<u>2,708,750</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,586,647</u>	<u>\$ 4,487,582</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 7,560,692	\$ 3,563,839
Restricted cash equivalents	25,955	923,743
	\$ 7,586,647	\$ 4,487,582
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (37,864,449)	\$ (37,771,628)
Depreciation and amortization	5,835,376	5,985,449
Changes in operating assets and liabilities		
Receivables, net	(613,757)	(148,292)
Prepaid expenses, bond insurance costs and other assets	(1,253)	9,380
Accounts payable and accrued liabilities	278,263	814,515
Accrued compensated absences	(121,391)	122,937
Net pension liability	189,064	(978,252)
Deposits held in custody for others	(856)	(15,568)
	\$ (32,299,003)	\$ (31,981,459)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 2,208,212	\$ 168,557
Capital project receivable incurred for construction in progress	1,005,230	93,793

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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

Nature of Operations

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents consisted of money market treasury funds held with brokers and repurchase agreements.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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.

Capital Project Receivable

On February 5, 2015, the Board of Curators approved a Cost Share Agreement for Architect Services through Construction of a Joint Multipurpose Facility with the City of Jefferson Parks and Recreation Commission. The agreement states that each party will pay for one-half of the cost of the architect to perform the work identified in the architect's services proposal dated January 27, 2015, at a cost not to exceed \$789,932 plus additional agreed upon reimbursable expenses. On February 9, 2016, the City of Jefferson Parks and Recreation Commission signed a Letter of Commitment stating that the Commission would pay 60% of the original construction contract value of \$11,569,803. The University invoices the Parks and Recreation Commission 60% of the contractor's invoice on a monthly basis. As of June 30, 2016 and 2015, the outstanding balance due to the University was \$1,005,230 and \$93,793, respectively.

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 \$25,771 and \$33,100 for the years ended June 30, 2016 and 2015, respectively.

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:

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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. Total interest capitalized was:

	<u>2016</u>	<u>2015</u>
Total interest expense incurred on borrowings for project	\$ 1,405	\$ -
Interest income from investment of proceeds of borrowings for project	-	-
Net interest cost capitalized	<u>\$ 1,405</u>	<u>\$ -</u>
Interest capitalized	\$ 1,405	\$ -
Interest charged to expense	<u>1,099,321</u>	<u>1,175,776</u>
Total interest incurred	<u>\$ 1,100,726</u>	<u>\$ 1,175,776</u>

In July 2015, the Dickinson Research Facility was substantially damaged in a fire. The University received insurance recoveries totaling \$911,790 during the year ended June 30, 2016. The net book value of the Dickinson Research Facility and equipment of \$576,890 was written off and cleanup costs of \$281,125 were incurred, resulting in a gain of \$53,775 recognized in the statement of revenues, expenses and changes in net position.

Compensated Absences

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

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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.

Defined Benefit Pension Plan

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

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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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

Scholarship Discounts and Allowances

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

Tuition Discount Programs

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

Income Taxes

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

Foundation

Lincoln University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the 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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

During the years ended June 30, 2016 and 2015, the Foundation distributed \$155,764 and \$198,765 to the University for both restricted and unrestricted purposes, respectively. During 2016 and 2015, 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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At June 30, 2016 and 2015, the University's bank balances were \$10,131 and \$132,888, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2016 and 2015.

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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

At June 30, 2016 and 2015, the University had the following investments and maturities:

June 30, 2016					
Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Repurchase agreements	\$ 7,545,461	\$ 7,545,461	\$ -	\$ -	\$ -
Certificates of deposit	6,386,952	5,192,000	1,194,952	-	-
U.S. Treasury obligations	1,760,088	1,760,088	-	-	-
Money market treasury funds	25,955	25,955	-	-	-
Government-sponsored enterprises obligations	8,245,650	6,760,625	1,485,025	-	-
	<u>\$23,964,106</u>	<u>\$21,284,129</u>	<u>\$ 2,679,977</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2015					
Type	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>

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, 2016 and 2015, 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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, the University’s investments in government-sponsored enterprises obligations of the follow entities constituted the following percentages of total investments:

	2016	2015
Federal Home Loan Mortgage Corporation (FHLMC)	9%	9%
Federal Home Loan Bank (FHLB)	17%	9%
Federal Farm Credit Bank (FFCB)	8%	1%

Summary of Carrying Values

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

	2016	2015
Carrying value		
Deposits	\$ 15,232	\$ 137,988
Investments	23,964,106	22,392,737
	\$ 23,979,338	\$ 22,530,725

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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

	2016	2015
Cash and cash equivalents	\$ 7,560,692	\$ 3,563,839
Short-term investments	13,358,713	15,034,978
Restricted cash equivalents	25,955	923,743
Restricted investments	1,374,525	1,367,226
Long-term investments	107,000	219,000
Short-term endowment investments	354,000	589,939
Long-term endowment investments	1,198,453	832,000
	\$ 23,979,338	\$ 22,530,725

Investment Income

Investment income for the years ended June 30, 2016 and 2015, consisted of:

	2016	2015
Interest and dividend income	\$ 93,150	\$ 50,373
Net realized and unrealized losses on investments	28,281	26,818
	\$ 121,431	\$ 77,191

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, 2016 and 2015, \$0 was transferred out of the endowment fund to the operating fund.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2016 and 2015, were:

	Beginning Balance	2016			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 3,695,117	\$ 90,036	\$ -	\$ -	\$ 3,785,153
Land improvements	5,735,311	39,703	-	-	5,775,014
Buildings and improvements	132,629,446	2,256,225	2,007,479	245,029	133,123,221
Infrastructure	4,140,518	-	-	-	4,140,518
Furniture, fixtures and equipment	27,392,435	1,193,847	711,148	-	27,875,134
Library materials	2,183,410	344	24,785	-	2,158,969
Construction in progress	578,335	5,255,805	2,248	(245,029)	5,586,863
	<u>176,354,572</u>	<u>8,835,960</u>	<u>2,745,660</u>	<u>-</u>	<u>182,444,872</u>
Less accumulated depreciation					
Land improvements	2,440,789	264,973	-	-	2,705,762
Buildings and improvements	63,855,145	3,954,157	1,481,486	-	66,327,816
Infrastructure	3,594,338	246,677	-	-	3,841,015
Furniture, fixtures and equipment	23,316,947	1,355,937	656,575	-	24,016,309
Library materials	2,170,840	5,610	24,785	-	2,151,665
	<u>95,378,059</u>	<u>5,827,354</u>	<u>2,162,846</u>	<u>-</u>	<u>99,042,567</u>
Net capital assets	<u>\$ 80,976,513</u>	<u>\$ 3,008,606</u>	<u>\$ 582,814</u>	<u>\$ -</u>	<u>\$ 83,402,305</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

	Beginning Balance	Additions	2015		Ending Balance
			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>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Note 5: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2016 and 2015:

	Beginning Balance	2016		Ending Balance	Current Portion
		Additions	Deductions		
Long-term debt					
Revenue bonds payable					
Series 2005	\$ 4,500,000	\$ -	\$ 4,500,000	\$ -	\$ -
Series 2007	18,125,000	-	480,000	17,645,000	505,000
Series 2015A	-	3,610,582	590,172	3,020,410	645,539
Series 2015B	-	2,513,530	146,898	2,366,632	101,119
Loan payable - DNR					
Energize MO	1,760,035	-	170,769	1,589,266	174,201
Reoffering premium	68,210	-	37,047	31,163	-
Total long-term debt	<u>24,453,245</u>	<u>6,124,112</u>	<u>5,924,886</u>	<u>24,652,471</u>	<u>1,425,859</u>
Other noncurrent liabilities					
Accrued compensated absences	1,475,277	658,416	779,807	1,353,886	785,254
Deposits held in custody for others	95,625	49,955	50,811	94,769	-
Postemployment benefit obligation	87,159	42,379	57,684	71,854	57,684
Net pension liability	<u>19,918,271</u>	<u>10,723,969</u>	<u>2,843,875</u>	<u>27,798,365</u>	<u>-</u>
Total other noncurrent liabilities	<u>21,576,332</u>	<u>11,474,719</u>	<u>3,732,177</u>	<u>29,318,874</u>	<u>842,938</u>
Total noncurrent liabilities	<u>\$ 46,029,577</u>	<u>\$ 17,598,831</u>	<u>\$ 9,657,063</u>	<u>\$ 53,971,345</u>	<u>\$ 2,268,797</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

	2015			Ending Balance	Current Portion
	Beginning Balance	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>

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 these bonds were used to finance the costs of the acquisition, construction, erection, equipping and furnishing of additions and renovations to the Auxiliary

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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.

On November 20, 2015, the University issued \$3,610,582 of Auxiliary System Refunding Revenue Bonds, Series 2015A and \$2,513,530 of Auxiliary System Revenue Bonds, Series 2015B. The Series 2015A and 2015B bonds bear interest, payable semiannually, at rates of 1.94% and 2.56%, respectively, and are due in semiannual installments. Principal maturities begin June 1, 2016, and continue until 2025. Proceeds from the issuance of the Series 2015A bonds were used to pay the costs of refunding the Auxiliary System Revenue Bonds, Series 2005, and to pay certain costs of issuance related to the Series 2015A bond issue. Proceeds from the issuance of the Series 2015B bonds were used to provide funds to pay costs associated with the renovation of Martin Hall and to pay certain costs of issuance related to the Series 2015B bond issue. The Martin Hall renovation costs are paid by the University, and then the University is reimbursed by disbursement from the bond proceeds. As of June 30, 2016, the total bond proceeds disbursed to the University were \$420,006. The balance of \$2,079,994 is recorded as bond proceeds receivable.

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, 2016, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2017	\$ 2,254,160	\$ 1,251,658	\$ 1,002,502
2018	2,254,161	1,289,201	964,960
2019	2,254,161	1,328,301	925,860
2020	2,254,161	1,368,713	885,448
2021	2,079,357	1,236,149	843,208
2022 - 2026	8,701,332	5,133,020	3,568,312
2027 - 2031	6,925,131	4,430,000	2,495,131
2032 - 2036	6,918,969	5,680,000	1,238,969
2037	1,382,394	1,315,000	67,394
	<u>\$ 35,023,826</u>	<u>\$ 23,032,042</u>	<u>\$ 11,991,784</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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.

The debt service requirements of the loan as of June 30, 2016, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	205,120	188,635	16,485
2022 - 2025	709,869	682,534	27,335
	<u>\$ 1,735,469</u>	<u>\$ 1,589,266</u>	<u>\$ 146,203</u>

Note 6: Pension Plans

MOSERS

Plan Description

The Missouri State Employees' Plan (MSEP) is a cost-sharing multiple-employer, defined benefit public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000, which are administered by the Missouri State Employees' Retirement System (MOSERS or the "System") in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the System are vested the powers and duties specified in Sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.312 to 104.1215, RSMo. Responsibility for the operation and administration of the System is vested in the 11-member MOSERS Board of

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Trustees as defined by state law. Due to the nature of MOSERS' reliance on funding from the state of Missouri and other state government agencies and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

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

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, 2016, 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 years ended June 30, 2015 and 2014, was 16.97% and 16.98%, respectively, for all plans, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were \$2,702,988 and \$2,850,690 for the years ended June 30, 2016 and 2015, respectively.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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

At June 30, 2016 and 2015, the University reported a liability of \$27,798,365 and \$19,918,271, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2015 and 2014. At June 30, 2015, the University's proportion was 0.8660%, which was an increase of 0.0212% from its proportion measured as of 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 years ended June 30, 2015 and 2014, respectively, that affected the measurement of total pension liability.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of \$2,885,237 and \$1,872,437, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,930	\$ 179,838
Changes of assumptions	-	369,972
Net difference between projected and actual earning on pension plan investments	2,134,445	-
Changes in University proportion and differences between the University's contributions and the University proportionate share of contributions	472,104	-
University's contributions subsequent to the measurement date	<u>2,702,988</u>	<u>-</u>
Total	<u>\$ 5,361,467</u>	<u>\$ 549,810</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

	2015	
	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, 2016 and 2015, the University reported \$2,702,988 and \$2,850,690, respectively, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2017 and 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2016, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2017	\$ 162,268
2018	158,981
2019	137,869
2020	1,649,551
	\$ 2,108,669

Actuarial Assumptions

The total pension liability in the June 30, 2015 and 2014, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases or wage inflation	0% for fiscal year 2016 and 3.00% annually, average, including inflation thereafter
Investment rate of return	8.00% per year, compounded annually, net after investment expenses and including inflation

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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, 2015 and 2014, valuations 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, 2015, 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	80.00%	5.70%	4.60%
Illiquids **	20.00%	7.30%	1.50%
	<u>100.00%</u>		<u>6.10%</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%.

Discount Rate

The discount rate used to measure the total pension liability was 8.00% at June 30, 2015 and 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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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	\$ 39,176,389	\$ 27,798,365	\$ 18,242,573

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, 2016 and 2015, the University reported a payable of \$8,580 and \$22,351, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2016 and 2015, respectively.

CURP

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an "education employee" participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-CREF group of companies is the third-party administrator for the CURP and manages the investment options under the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. By law, the CURP contribution rate is equal to 1% 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 5.89% and 6.16% of annual covered payroll for 2016 and 2015, respectively. The University's contributions to the plan for the years ended June 30, 2016 and 2015, were \$268,058 and \$288,098, respectively, which equaled the required contributions for each year.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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.

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, 2016 and 2015, the University contributed \$57,684 and \$58,824, respectively, to the plan for premiums of 18 and 20 professor emeritus retirees, respectively. The University's contributions represented 100% and approximately 90%, respectively, of total 2016 and 2015 premiums. Plan members receiving benefits contributed \$0 and \$6,725, or 0% and approximately 10%, respectively, of total 2016 and 2015 premiums, through their required contribution.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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	\$	43,907
Interest on net OPEB obligation		3,051
Adjustment to the annual required contribution		(4,579)
Annual OPEB expense		42,379
Employer contributions made		57,684
Decrease in net OPEB obligation		(15,305)
Net OPEB obligation at June 30, 2015		87,159
Net OPEB obligation at June 30, 2016	\$	71,854

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2016 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, 2014	48,755	128.7%	96,983
June 30, 2015	49,000	120.1%	87,159
June 30, 2016	42,379	136.1%	71,854

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability for benefits	\$ 807,535
Actuarial value of assets	-
	-
Total unfunded actuarial accrued liability (UAAL)	\$ 807,535
Funded ratio	0.0%
Annual covered payroll	\$ 20,454,877
Ratio of unfunded actuarial accrued liability to covered payroll	3.9%

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

Actuarial Methods and Assumptions

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

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

Actuarial cost method	Projected unit credit
UAAL amortization method	Level dollar amount
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	3.5%
Healthcare cost trend rate	Increase 5% per year for Medicare Supplement; Increase 8% per year for prescription

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015, 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.

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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Note 10: Natural Classifications with Functional Classifications

For the years ended June 30, 2016 and 2015, the following tables represent operating expenses with both natural and functional classifications:

	2016						
	Compensation and Benefits	Contractual Services	Travel	Supplies and Materials	Utilities	Other	Total
Instruction	\$ 11,133,698	\$ 477,055	\$ 156,104	\$ 196,209	\$ 482	\$ 216,668	\$ 12,180,216
Research	3,223,677	734,391	98,072	315,566	150,651	131,393	4,653,750
Community service	4,468,636	504,170	257,244	193,215	81,392	210,456	5,715,113
Academic support	2,013,116	396,951	143,333	126,598	4,184	249,517	2,933,699
Student services	4,041,311	1,056,980	558,627	384,076	1,207	471,693	6,513,894
Institutional support	5,112,500	4,732,367	290,538	108,287	110,938	421,075	10,775,705
Operations and maintenance of plant	959,637	439,327	2,254	149,211	1,375,825	38,089	2,964,343
Scholarships and fellowships	-	-	-	-	-	-	211,384
Depreciation and amortization	-	-	-	-	-	-	5,835,376
	<u>\$ 30,952,575</u>	<u>\$ 8,341,241</u>	<u>\$ 1,506,172</u>	<u>\$ 1,473,162</u>	<u>\$ 1,724,679</u>	<u>\$ 1,738,891</u>	<u>\$ 51,783,480</u>

	2015						
	Compensation and Benefits	Contractual Services	Travel	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>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Note 11: Disclosure About Fair Value of Assets

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

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

Description	2016			
	Total	Level 1	Level 2	Level 3
Money market treasury funds	\$ 25,955	\$ 25,955	\$ -	\$ -
U.S. Treasury obligations	1,760,088	1,760,088	-	-
Government-sponsored enterprises obligations	<u>8,245,650</u>	<u>-</u>	<u>8,245,650</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 10,031,693</u>	<u>\$ 1,786,043</u>	<u>\$ 8,245,650</u>	<u>\$ -</u>

Description	2015			
	Total	Level 1	Level 2	Level 3
Money market treasury funds	\$ 923,743	\$ 923,743	\$ -	\$ -
Government-sponsored enterprises obligations	<u>4,455,204</u>	<u>-</u>	<u>4,455,204</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 5,378,947</u>	<u>\$ 923,743</u>	<u>\$ 4,455,204</u>	<u>\$ -</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Note 12: Lincoln University Foundation, Inc.

Financial Statements

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

Contributions

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

	2016	2015
Contributions due within one year	\$ 34,463	\$ 17,929
Less allowance for uncollectible pledges	(4,450)	(4,395)
Net contributions receivable	\$ 30,013	\$ 13,534

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, 2016 and 2015, with an estimated value of \$154,625 and \$163,782, 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

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

released from its permanent restriction, permanently restricted net assets are reclassified to either unrestricted or temporarily restricted net assets, depending on the donor's revised request. Assets without donor-imposed restrictions, including assets designated for specific use by the Foundation's Board of Directors, are included in unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments

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

The aggregate amount of investments summarized by major type at June 30, 2016 and 2015, was as follows:

	2016	
	Cost	Fair Value
Fixed income securities	\$ 1,452,214	\$ 1,462,203
Equity securities	4,884,448	5,483,606
Real assets	682,407	714,816
	<u>\$ 7,019,069</u>	<u>\$ 7,660,625</u>
	2015	
	Cost	Fair Value
Fixed income securities	\$ 1,399,801	\$ 1,396,845
Equity securities	5,649,702	6,536,575
	<u>\$ 7,049,503</u>	<u>\$ 7,933,420</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Investment return consisted of the following for the years ended June 30, 2016 and 2015:

	2016	2015
Dividends and interest	\$ 276,863	\$ 331,020
Realized gains and losses	(63,666)	674,470
Unrealized gains and losses	(206,844)	(900,460)
Total investment return	<u>\$ 6,353</u>	<u>\$ 105,030</u>

Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015, are available for the following purposes:

	2016	2015
KJLU radio station	\$ 189,064	\$ 179,150
Lincoln University athletic programs	(160,161)	75,961
Lincoln University academic departments	43,746	62,984
Other Lincoln University programs	34,839	49,821
Lincoln University capital projects maintenance	44,663	15,839
General assistance for Lincoln University students	6,111	7,043
Loan funds for Lincoln University students	5,433	6,081
General support of Lincoln University	41,995	27,110
Scholarships for Lincoln University students	3,415,269	3,633,132
	<u>\$ 3,620,959</u>	<u>\$ 4,057,121</u>

Permanently restricted net assets consisted of the following at June 30, 2016 and 2015:

	2016	2015
Scholarships for Lincoln University students	<u>\$ 4,309,680</u>	<u>\$ 4,311,390</u>
	<u>\$ 4,309,680</u>	<u>\$ 4,311,390</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

Endowment Funds

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 3,017,281	\$ 4,309,680	\$ 7,326,961
	<u>\$ -</u>	<u>\$ 3,017,281</u>	<u>\$ 4,309,680</u>	<u>\$ 7,326,961</u>
	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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>

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.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2016 and 2015

The Foundation's assets measured at fair value on a recurring basis as of June 30, 2016 and 2015, aggregated by the level in the fair value hierarchy within which those measurements fall, were as follows:

Description	2016			
	Total	Level 1	Level 2	Level 3
State and municipal bonds	\$ 109,924	\$ -	\$ 109,924	\$ -
Fixed income mutual funds	1,352,279	1,352,279	-	-
Real asset mutual funds	714,816	714,816	-	-
Equity mutual funds				
Growth funds	1,574,438	1,574,438	-	-
Mid-cap blend funds	697,680	697,680	-	-
Value funds	749,874	749,874	-	-
Index funds	803,121	803,121	-	-
International funds	1,051,007	1,051,007	-	-
Emerging markets funds	607,486	607,486	-	-
Total equity mutual funds	<u>5,483,606</u>	<u>5,483,606</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 7,660,625</u>	<u>\$ 7,550,701</u>	<u>\$ 109,924</u>	<u>\$ -</u>

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	<u>6,210,709</u>	<u>6,210,709</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 7,933,420</u>	<u>\$ 7,825,923</u>	<u>\$ 107,497</u>	<u>\$ -</u>

Note 13: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued.

Required Supplementary Information

Lincoln University
A Component Unit of the State of Missouri
Required Supplementary Information
Schedule of the University's Proportionate Share of the Net Pension Liability
Missouri State Employees' Retirement System
June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
University's proportion of the net pension liability	0.8660%	0.8448%
University's proportionate share of the net pension liability	\$ 27,798,365	\$ 19,918,271
University's covered-employee payroll	\$ 16,754,310	\$ 15,852,748
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.92%	125.65%
Plan fiduciary net position as a percentage of the total pension liability	72.62%	79.49%

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

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

Lincoln University
A Component Unit of the State of Missouri
Required Supplementary Information
Schedule of University Contributions
Missouri State Employees' Retirement System
Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,702,988	\$ 2,843,875	\$ 2,757,130
Contributions in relation to the contractually required contribution	<u>2,702,988</u>	<u>2,843,875</u>	<u>2,757,130</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 15,928,030	\$ 16,754,310	\$ 15,852,748
Contributions as a percentage of covered-employee payroll	16.97%	16.97%	17.39%

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

Notes to Schedule:

Benefit Changes

There were no changes to benefit terms for MOSERS for the years ended June 30, 2015 and 2014.

Changes of Assumptions

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

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

Lincoln University
A Component Unit of the State of Missouri
Required Supplementary Information
Schedule of Funding Progress for Postemployment Health Care Plan
June 30, 2016

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)
7/1/2011	\$ -	\$ 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%
7/1/2015	\$ -	\$ 807,535	\$ 807,535	0%	\$ 20,454,877	3.9%

Other Information

Lincoln University
A Component Unit of the State of Missouri
Auxiliary Activity Fund
Schedules of Revenues and Expenses
Years Ended June 30, 2016 and 2015

	2016					Total
	Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	
Revenues						
Residence hall contracts	\$ 3,565,069	\$ -	\$ -	\$ -	\$ -	\$ 3,565,069
Housing system appropriation	757,555	-	-	-	-	757,555
Food service	-	2,928,679	-	-	-	2,928,679
Bookstore	-	-	75,000	-	-	75,000
Other	-	-	-	42,346	-	42,346
Vending	-	-	-	19,860	-	19,860
	<u>4,322,624</u>	<u>2,928,679</u>	<u>75,000</u>	<u>62,206</u>	<u>-</u>	<u>7,388,509</u>
Direct Expenses						
Salaries and wages	411,335	-	-	66,124	36,843	514,302
Fringe benefits	131,046	225	-	21,072	9,485	161,828
Equipment purchases	7,268	18,849	-	-	211	26,328
Contractual services	675,554	1,997,821	567	-	73,301	2,747,243
Travel	61,734	-	-	519	64	62,317
Supplies, cost of sales	44,733	-	-	602	4,162	49,497
Communications	9,735	676	(72)	1,016	1,693	13,048
Utilities	648,719	-	-	-	-	648,719
Other operating	411,564	17	47,252	5,688	259	464,780
	<u>2,401,688</u>	<u>2,017,588</u>	<u>47,747</u>	<u>95,021</u>	<u>126,018</u>	<u>4,688,062</u>
Excess (Deficiency) of Revenues Over Direct Expenses	<u>\$ 1,920,936</u>	<u>\$ 911,091</u>	<u>\$ 27,253</u>	<u>\$ (32,815)</u>	<u>\$ (126,018)</u>	<u>2,700,447</u>
Indirect Expenses						
Bad debts						53,394
Audit						11,640
Revenue bond trust fees						-
						<u>65,034</u>
Excess of Revenues Over Expenses						2,635,413
Mandatory Transfer for Principal and Interest on Indebtedness						(2,243,686)
Transfer In						-
Nonmandatory Transfer to Plant Fund						<u>(438,305)</u>
Net Increase (Decrease) for the Year						(46,578)
Net Position, Beginning of Year						<u>3,565,564</u>
Net Position, End of Year						<u>\$ 3,518,986</u>

Residence Halls	2015				Total
	Cafeteria	Bookstore	Vending and Other	Student Union	
\$ 3,288,195	\$ -	\$ -	\$ -	\$ -	\$ 3,288,195
770,978	-	-	-	-	770,978
-	2,616,220	-	-	-	2,616,220
-	-	135,807	-	-	135,807
-	-	-	35,687	-	35,687
-	-	-	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>
372,406	-	-	68,201	76,448	517,055
119,861	-	-	19,689	23,044	162,594
3,025	-	-	-	408	3,433
331,926	1,842,784	1,133	3,367	38,602	2,217,812
17,469	-	-	-	208	17,677
129,790	-	-	1,176	11,490	142,456
5,824	(1,871)	(1,349)	1,104	1,680	5,388
644,957	-	-	-	240	645,197
262,040	33	-	654	1,133	263,860
<u>1,887,298</u>	<u>1,840,946</u>	<u>(216)</u>	<u>94,191</u>	<u>153,253</u>	<u>3,975,472</u>
<u>\$ 2,171,875</u>	<u>\$ 775,274</u>	<u>\$ 136,023</u>	<u>\$ (26,077)</u>	<u>\$ (153,253)</u>	<u>2,903,842</u>
					48,487
					11,318
					6,042
					<u>65,847</u>
					2,837,995
					(2,216,424)
					12,442
					<u>(213,332)</u>
					420,681
					<u>3,144,883</u>
					<u>\$ 3,565,564</u>

Supplementary Information

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Pell Grant Program	84.063		\$ -	\$ 6,846,901
Federal Work-Study Program	84.033		-	117,558
Federal Supplemental Educational Opportunity Grants	84.007		-	143,416
Federal Direct Student Loans	84.268		-	15,788,067
			<u>-</u>	<u>22,895,942</u>
Research and Development Cluster				
U.S. Department of Agriculture				
Cooperative Research, Education and Extension Service	10.205		-	2,831,968
Microalgae Based Biofuels and Byproducts	10.216		-	42,623
Analysis of the Best Practices in Organic and High Tunnel Vegetable Production	10.912, 10.902		-	33,161
Developing a Behaviorally-Based, Sustainable Integrated Pest Management Push Pull Strategy for Cucumber Beetles in Missouri	10.216		-	12,130
Hydrologic Processes Controlling Stream Water Quality in a Missouri Claypan Water Shed	10.216		2,489	7,994
Native Plant Material Program	None		-	610
Expanding Agriculture Production Opportunities and Controlling Invasive Species Utilizing Small Ruminant Grazing Application	10.912, 10.902		-	5,700
Silver Nanoparticles as Pesticide for Agricultural Applications	10.216		1,337	38,468
Novel Escherichia Coli Genetic Markers for Water Safety	10.216		26,465	27,238
A Practical Approach to Integrating Nanotechnology Education into Agriculture & Environmental Science Curriculum	10.216		-	80,498
Mentoring Students in Natural Resources to Meet the Triple Challenge of Managing Invasive Species and Rare Species in a Changing Climate	10.216		-	38,512
Sustainable Market Development & Resource Use for Specialty Crops	10.216		66,839	102,032
Quantifying the Impact of Soil Health Management Practices on Soil Properties, Nutrient Cycling and Plant Growth	10.912, 10.914, 10.924		-	2,795
Socio-Economic Factor & Adoption of Energy Crops	10.310		15,702	22,657
Safeguard Fresh & Fresh-Cut Vegetables in Situ Through Anti-pathogen Endophytic Bacillus Subtilis	10.310		-	65,438
Students Training Students: Educating Tomorrow's Consumers Today	10.216		-	61,374
High Through-Put NanoSensor for Accurate & Sensitive Detection of E-Coli	10.310		47,025	72,343
Hydrologic Regime & Nitrogen Cycling: Understanding the Difference Between Claypan and Loess Watersheds in Missouri	10.216		38,618	139,374
Prediction & Control of the Performance of Anaerobic Digestion of Animal Manure through Metagenomics for Renewable Energy	10.216		28,714	152,872
Determination of Dietary Indispensable Amino Acid Requirements for Juvenile Bluegill	10.216		-	83,223
Integrated Research in Single E-Coli Cell Detection & Interactive Education to Build Capacity in Food Safety & Security	10.216		39,902	74,281
Establish Native Plant Pollinator Gardens with Honey Bee Colonies	10.902		-	980

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development (Continued)				
U.S. Department of Agriculture				
Enhancing Natural Resource Management Capabilities through the LU GIS Center of Excellence	10.902		\$ 10,155	\$ 16,074
Recruitment/Retention at Lincoln University through Experiential Learning, Curriculum Development/Changes and Partnerships with Missouri High Schools	10.216		-	19,941
Evaluation of Soilless Root Support Substrates for Control of Nitrate & Phosphorus Pollution from Vegetable Production in Non-Recirculating Hydroponic Systems	10.216		-	20,733
Innovative Methods to Improve the Sensitivity of Nanosensors for Detection of Biomolecules in Food Systems	10.310		-	4,406
U.S. Department of Agriculture/Iowa State University				
Climate Change, Mitigation and Adaptation in Corn-Based Cropping Systems	10.310	416-40-63A	-	171,292
Developing Genetically Fast Growing Monosex Male Populations of Bluegill	10.200	416-40-93F	-	26,690
U.S. Department of Agriculture/Langston University				
Comparison of Biological Control of Red Cedar with Goats to Conventional Methods of Control	10.216	14-02864	-	3,074
U.S. Department of Agriculture/Missouri Department of Agriculture				
Evaluating Production & Value-Added Potential of Wild Leek and Other Native Greens	10.170	6	-	10,428
Evaluating Plant Volatile Organic Compounds as Potential Species-Specific Attractants in the Spotted Wing Drosophila Monitoring Traps	10.170	7	2,361	11,126
U.S. Department of Agriculture/University of Minnesota				
The Use of Grape Products as a Natural Anthelmintic in Sheep	10.215	H003679419	-	6,042
Detection and Prevention of Footrot Outbreak in Sheep and Goats	10.215	H004403706	-	55,463
National Science Foundation				
A Model for Achieving Success in STEM (AMASS)	47.076		38,986	293,122
Applying Performance Pyramid to STEM Education	47.076		-	84,096
Applying Performance Pyramid to STEM Education (Participant Costs)	47.076		-	15,830
Collaborative Research: Structure & Quaternary Kinematics of Amagmatic Rifting in the Central Afar Triple Junction	47.050		-	23,460
Catalyst Project: Computational Research on Music & Audio	47.076		-	43,277
Catalyst Project: Computational Research on Music & Audio (Participant Costs)	47.076		-	5,741
Catalyst Project: Computational Research on Music & Audio (Income Account)	47.076		-	142
National Science Foundation/University of Missouri				
The Missouri Transect: Climate, Plants & Community	47.079, 47.083	C00043573-5	-	157,763
Collaborative Research on Plant Stress Response Through Innovations in Pnemonics and Molecular Imaging Techniques	47.079	C00045071-2	-	36,764

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development (Continued)				
Environmental Protection Agency				
Improving Drinking Water Quality for Small Rural Communities in Missouri	66.509		\$ 26,103	\$ 50,943
			344,696	4,952,678
Cooperative Extension Cluster				
U.S. Department of Agriculture				
Cooperative Extension Programs	10.500		-	2,976,587
Satellite & Off-Campus Enhancement & Expansion	10.500		-	577,018
RREA – Renewable Resource Extension Account	10.500		-	15,881
EFNEP – Expanded Food Nutritional Program	10.500		-	95,958
McIntire Stennis Cooperative Forestry Act Funds	10.202		-	24,286
Evaluating the Performance and Grazing Behavior of Meat Goats in the Development of a Field Station in Missouri Woodlands	10.216		-	42,644
Families Integrating Nature, Conservation & Agriculture - The FINCA Model	10.216		-	88,342
Collaboration with K-12 Institutions & Community Colleges to Enhance Recruitment & Retention in Agriculture & Environmental Sciences	10.216		-	46,028
CES: Capital Improvements	10.500		-	91,033
Partnership to Reach Underserved Landowners and Producers	10.902		-	3,516
2014 Farm Bill - Producer Education - Lincoln University Extension Services	None		-	19,764
Ag Discovery Summer Enrichment Program	10.025		-	23,049
SCRIP Kenya-Tomato Foliar Diseases	10.961		-	19,484
Enhancing Farm Profitability & Livelihood of Minority and Socially Disadvantaged Farmers and Ranchers and Veterans	10.443		-	42,985
On-Farm and Ranch Education of New and Beginning Latino Producers in Missouri	10.215		-	4,169
U.S. Department of Agriculture/Tuskegee University				
Feral Swine Outreach	10.028	None	-	165
U.S. Department of Agriculture/University of Maryland Eastern Shore				
Food & Agricultural Sciences: Preparing Future Graduate Students	10.216	2011-CBG-20577	-	19,643
U.S. Department of Agriculture/University of Minnesota				
Improving Weight Gain in Goats Grazing on Cover Crops Selected through Soil Health Samples	10.215	H004403719	-	10,502
NCR - SARE	10.500	0001106019	-	19,909
U.S. Department of Agriculture/University of Missouri				
Enhancing Profitability of Small and Medium Sized Farms through Interactive Decision Making Tools and Modules	10.310	None	-	2,395
Missouri IPM Program	10.500	None	-	150
Missouri IPM Program	10.329	C00048575-1	-	47,043
Assistive Technology Program for Farmers with Disabilities	10.500	C00048679-2	-	6,493
High-Value Horticultural Crop Production	10.962	C00049314-1	-	391

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Cooperative Extension Cluster (Continued)				
U.S. Department of Agriculture/University of Nebraska, Lincoln Producer Network Development & Education: Scaling Up to Sell Wholesale Into a Food Hub	10.500	25-6324-0119-309	\$ -	\$ 36,509
U.S. Department of Agriculture/University of Vermont 21st Century Management: Enhancing Educational Programming for Beginning Women Farmers	10.311	29903SUB51959	-	2,134
U.S. Department of Agriculture/Virginia State University Modeling Land Use & Stream Water Quality Using a GIS: A Case Study of Hinkson Creek Watershed	10.216	R000011	-	(85)
			-	4,215,993
U.S. Department of Education Higher Education Institutional Aid	84.031		-	1,034,788
Higher Education Institutional Aid	84.031		-	3,443,925
Higher Education Institutional Aid	84.031		-	(480)
Higher Education Institutional Aid	84.031		-	222,269
			-	4,700,502
TRIO Student Support Services	84.042		-	51,047
U.S. Department of Education/Mineral Area College FY-16 Carl D Perkins Grant	84.048	163-163 / 117-117	-	12,063
U.S. Department of Higher Education/Missouri Department of Higher Education Missouri Drop Out Project	84.027	None	-	93,884
U.S. Department of Education/State of Missouri ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	None	-	42,487
U.S. Department of Agriculture Wildlife Initiative Program	10.028		-	5,553
CIG Demonstrating & Evaluating Cover Crop Over-Seeding Technology Using High Clearance Sprayers	10.912		-	3,475
Enhancing Marketing Produce Cooperatives for Small Farm Profitability & Job Creation	10.769		-	1,367
2016 Cochran Fellowship Progra-Georgia Fisheries Management	10.962		-	52,490
U.S. Army Corps of Engineers Outsourcing the Academic Phase of Training for the U.S. Army Prime Power School	None		-	527,859

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services State Abstinence Education Primary Prevention Program	93.235	AOC14380022	\$ -	\$ 336,821
Implementation of Violence Prevention Strategy	93.136	AOC16380122	-	11,167
NASA/Missouri University of Science and Technology Missouri Space Grant Consortium	43.001	C00029558-07	-	67,195
NASA/Washington University Development of Turbulence Models, Uncertainty Quantifications & Optimization Tools for Aircraft & Turbomachinery Analysis & Design	43.008	WU-15-283	-	10,706
U.S. Army Research Laboratory/Leonard Wood Institute Inclusion of Whole Body Vibration Data Into Medical Cost Avoidance Model	12.431	2014-004	-	138
U.S. Department of Energy/North Carolina A&T State University Pipeline Development of Skilled Workforce Through Advanced Manufacturing	None	None	-	18,528
U.S. Environmental Protection Agency K-12 Science Teacher Training Workshops	66.808		-	4,953
U.S. Environmental Protection Agency/Missouri Department of Natural Resources LU Wetland Restoration Project	66.460	G16-NPA-01	-	40,367
U.S. Department of State/IREX Mandela Washington Fellowship for Young African Leaders Institute	19.009	FY16-YALI- BE-Lincoln-01	-	36,113
			<u>\$ 344,696</u>	<u>\$ 38,081,328</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the University under programs of the federal government for the year ended June 30, 2016. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in OMB A-21, *Cost Principles of Educational Institutions*, or the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Board of Curators
Lincoln University
Jefferson City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Lincoln University, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 25, 2016. 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 of the financial statements, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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. 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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*.

University's Response to Findings

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 the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the University's management in a separate letter dated October 25, 2016.

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 25, 2016

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

Independent Auditor's Report

Board of Curators
Lincoln University
Jefferson City, Missouri

Report on Compliance for Each Major Federal Program

We have audited Lincoln University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lincoln University's major federal programs for the year ended June 30, 2016. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Student Financial Assistance Cluster

As described in item 2016-002 in the accompanying schedule of findings and questioned costs, Lincoln University did not comply with requirements regarding special tests and provisions for enrollment reporting 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, 2016.

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, 2016.

Other Matters

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

Report on Internal Control Over Compliance

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

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

Board of Curators
Lincoln University

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 or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 2016-002 to be a material weakness.

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

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

BKD, LLP

Springfield, Missouri
October 25, 2016

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:

Student Financial Assistance Cluster:

Unmodified Qualified Adverse Disclaimer

Higher Education Institutional Aid Cluster:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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
Higher Education Institutional Aid	84.031

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

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

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2016-001	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the year ended June 30, 2016, the University began receiving state appropriations authorized by House Bill No. 19 for certain capital improvements. Revenue was not recorded for these appropriations during the year. An audit adjustment was proposed and recorded during the course of the audit to properly recognize revenue for capital state appropriations.</p> <p>Context – We confirm state appropriations with the State of Missouri Office of Administration each year. The Office of Administration confirmed the University had received \$2,375,051 in capital appropriations for the year, which we traced to University records. The University receives the House Bill No. 19 capital appropriations on a reimbursement basis after reporting expenditures to the Office of Administration. At year end, the University also had incurred capital expenditures that had not yet been reimbursed totaling \$442,903. The University’s financial statements required an adjustment of \$2,817,954 to properly record capital appropriations revenue for the year.</p> <p>Effect – State appropriation revenue was not properly recognized in the financial statements.</p> <p>Cause – The University has not historically received state appropriations for capital projects and therefore recording of the corresponding revenue was not a routine month end accounting entry. The University setup the total appropriation to be received consistent with its practice for grants by setting up a receivable and unearned revenue account for the total appropriation of \$4,039,140. As funds were received the receivable balance was reduced. As capital expenditures were incurred the unearned revenue balance was not properly reduced to recognize earned revenue.</p> <p>Recommendation – The University’s month end close process should include a journal entry for capital state appropriations revenue to be recognized. The calculation of the revenue to be recognized should be based on the capital expenditures incurred to ensure proper revenue recognition.</p> <p>View of Responsible Officials and Planned Corrective Action – We agree with the auditors’ comments, and the following action will be taken to rectify the situation. The Grant Accounting Office will prepare a monthly journal entry to recognize all revenues earned for the month on the HB-19 State Appropriations project account. To insure this is processed in a timely manner, the Fiscal Operations Manager has added this specific month end journal entry to an electronic monthly task list.</p>

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
2016-002	<p>Student Financial Assistance Cluster, CFDA Number 84.268 Federal Direct Student Loans, CFDA Number 84.063 Federal Pell Grant Program, U.S. Department of Education Program Year 2015-2016</p> <p>Criteria or Specific Requirement – Special Tests: Enrollment Reporting 34 CFR Sections 690.83 (b)(2) and 685.309</p> <p>Condition – Seventeen student enrollment status changes were not communicated to the National Student Loan Data System (NSLDS) on a timely basis or were reported incorrectly.</p> <p>Questioned costs – None</p> <p>Context – Out of a population of 7,605 student enrollment status changes requiring notification transmitted to NSLDS, a sample of 40 student enrollment status changes was selected for testing. Nine Fall 2015 and one Summer 2015 student enrollment increases to full time status were not reported within the required 60 day requirement. Five student enrollment decreases were not reported to NSLDS during Fall 2015. Two student enrollment changes in Fall 2015 were not reported as the correct enrollment status. Our sample was not and was not intended to be statistically valid.</p> <p>Effect – NSLDS was not properly notified of student enrollment status changes of Direct Loan and Pell Grant recipients.</p> <p>Cause – In the Fall of 2015, the Colleague software would slow down and eventually stop responding when running the National Student Clearinghouse Student Data Extract process. A patch for the software was released on November 19, 2015. The majority of the errors identified occurred during the Fall of 2015.</p> <p>Identification as a repeat finding – 2015-001</p> <p>Recommendation – The Registrar’s Office should consider periodically reviewing a sample of student enrollment changes for proper reporting to NSLDS. The Registrar’s Office should also periodically review the Enrollment Reporting Summary Report (SCHER1 Report) from NSLDS to monitor the resolution of errors in batches reported to NSLDS.</p>

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
2016-002 (Continued)	Views of Responsible Officials and Planned Corrective Actions – We concur with the finding and recommendation. Therefore The Office of the Registrar will monitor submission periodically by reviewing a sample of student enrollment changes for proper reporting to NSLDS. In addition to this the Registrar’s Office will also periodically review the Enrollment Reporting Summary Report from NSLDS to monitor the resolution of errors in batches reported to NSLDS.

Lincoln University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
2015-001 and 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 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>	<p>Unresolved. See Finding 2016-002.</p> <p>The University had not fully implemented corrective processes in order to prevent reoccurrence during the 2016 fiscal year.</p>