

Lincoln University
A Component Unit of the State of Missouri

Independent Auditor's Reports and Financial Statements

June 30, 2017 and 2016

Lincoln University
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Independent Auditor's Report

Board of Curators
Lincoln University
Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lincoln University, collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2017 and 2016, 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 \$9,794,359 and \$8,357,937 as of June 30, 2017 and 2016, respectively, and total revenues of \$2,358,601 and \$858,036, 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, 2017 and 2016, 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*, the Auxiliary System Revenue Fund – Schedules of Revenues and Expenses and the Athletic Facilities Revenue Fund – Schedule of Revenues and Expenses as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Auxiliary System Revenue Fund – Schedules of Revenues and Expenses and the Athletic Facilities Revenue Fund – Schedule of Revenues and Expenses 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, 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, 2017

Lincoln University

A Component Unit of the State of Missouri

Management's Discussion and Analysis

Years Ended June 30, 2017 and 2016

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, 2017 and 2016, with selected comparative information for the year ended June 30, 2015. 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 two Colleges: the College of Arts and Sciences and the College of Agriculture, Environmental and Human Sciences; and three Schools: Education, Business and Nursing, along with the Office of Graduate Studies. During fiscal year 2017, Lincoln University offered nine undergraduate degrees: Bachelor of Arts (B.A.), Bachelor of Liberal Studies (B.L.S.), Bachelor of Science (B.S.), Bachelor of Science in Education (B.S.Ed.) and Bachelor of Science in Nursing (B.S.N.), Associate of Arts (A.A.), Associate of Applied Science (A.A.S.) and Associate of Science (A.S.). The 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, 2017, 2016 and 2015, is as follows:

	2017	2016	2015
	(In Millions)		
Assets and Deferred Outflows of Resources			
Current assets	\$ 29.7	\$ 29.5	\$ 22.4
Capital assets, net	87.5	83.4	81.0
Other noncurrent assets	3.4	3.5	4.5
Deferred outflows of resources	<u>13.9</u>	<u>5.6</u>	<u>3.2</u>
Total assets and deferred outflows of resources	<u>134.5</u>	<u>122.0</u>	<u>111.1</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities	7.6	8.7	6.2
Noncurrent liabilities	62.6	51.7	43.9
Deferred inflows of resources	<u>1.3</u>	<u>0.5</u>	<u>5.8</u>
Total liabilities and deferred inflows of resources	<u>71.5</u>	<u>60.9</u>	<u>55.9</u>
Net Position			
Net investment in capital assets	66.5	62.1	59.4
Restricted – nonexpendable	0.1	0.1	0.1
Restricted – expendable	3.4	3.1	2.8
Unrestricted	<u>(7.0)</u>	<u>(4.2)</u>	<u>(7.1)</u>
Total net position	<u>\$ 63.0</u>	<u>\$ 61.1</u>	<u>\$ 55.2</u>

During the 2017 fiscal year, total assets and deferred outflows of resources increased by \$12.5 million, total liabilities and deferred inflows of resources increased by \$10.6 million. The total net position increased by \$1.9 million compared to fiscal year 2016. The increase in assets was primarily a result of an increase of \$8.3 million in deferred outflows of resources related to pension plan reporting as required by GASB Statements No. 68 and No. 71 (see *Note 6*) as well as an increase in capital assets of \$4.1 million.

In fiscal year 2017, the University's current assets of \$29.7 million were sufficient to cover current liabilities of \$7.6 million. The current ratio in 2017 increased to 3.9 compared to the current ratio of 3.4 in 2016.

The University's liabilities and deferred inflows of resources totaled \$71.5 million at June 30, 2017, and \$60.9 million at June 30, 2016. Noncurrent liabilities totaled \$62.6 million in 2017 and \$51.7 million in 2016. 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. The change in liabilities and deferred inflows of resources in fiscal year 2017 was primarily a result of an increase in net pension liability of \$10.4 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.

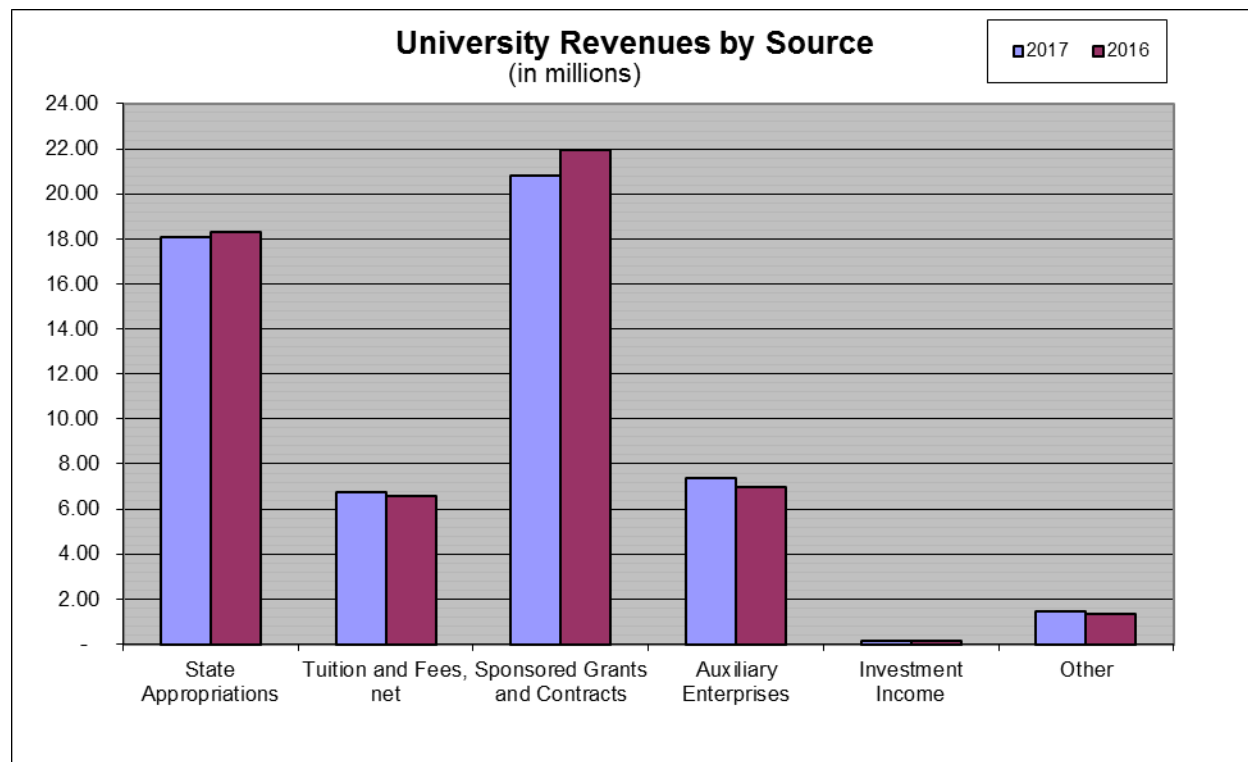
A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2017, 2016 and 2015, is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In Millions)		
Operating revenues	\$ 14.2	\$ 13.9	\$ 12.9
Operating expenses	<u>55.0</u>	<u>51.8</u>	<u>50.6</u>
Operating loss	(40.8)	(37.9)	(37.7)
Net nonoperating revenues	<u>39.1</u>	<u>40.2</u>	<u>38.9</u>
Income (loss) before other revenues, expenses, gains or losses	(1.7)	2.3	1.2
Impairment gain on fire damage, net of insurance recovery	1.6	0.1	-
Capital appropriations	1.1	2.8	-
Capital grants and gifts	<u>0.9</u>	<u>0.7</u>	<u>1.3</u>
Increase in net position	1.9	5.9	2.5
Net position, beginning of year	<u>61.1</u>	<u>55.2</u>	<u>52.7</u>
Net position, end of year	<u>\$ 63.0</u>	<u>\$ 61.1</u>	<u>\$ 55.2</u>

The total operating loss for fiscal year 2017 was \$40.8 million, most of which was offset by nonoperating revenues of \$39.1 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 2017 and 2016:



As shown above, the largest component of total revenues (operating and nonoperating) is grants and contracts followed by state appropriations. State appropriations account for 33% of University revenues. In fiscal year 2016, the University received state appropriations totaling \$18.3 million, net of 3% reserves. For fiscal year 2017, the University was appropriated \$20.5 million, net of 3% reserves. This included a 4% performance funding increase as well as an increase of \$1.5 million in land grant match. However, due to state withholdings, the University only received \$18.1 million in state appropriations, a decrease of 1.5% compared to fiscal year 2016.

Student tuition and fees revenue of \$6.8 million is shown net of \$9.1 million in scholarship allowances, \$2.7 million in tuition discounts and \$0.4 million in bad debt.

The following table represents the details of the University's grants and contracts revenue for the year ended June 30, 2017:

Federal sources	
Department of Agriculture	\$ 7,249,435
Department of Education (excluding financial aid)	5,194,787
Department of Defense	385,181
Department of Health and Human Services	412,617
National Aeronautics and Space Administration	7,689
Environmental Protection Agency	16,672
National Science Foundation	563,353
Other Federal Sources	<u>70,902</u>
Total federal sources	<u>13,900,636</u>
Nonfederal sources	
State, local and private	<u>61,583</u>
Total nonfederal sources	<u>61,583</u>
Total all sources	<u>\$ 13,962,219</u>

Operating Revenues

The following table summarizes the University's operating revenues by source for the years ended June 30, 2017, 2016 and 2015:

	2017	2016	2015
	(In Millions)		
Tuition and fees, net	\$ 6.8	\$ 6.6	\$ 6.4
Grants and contracts	0.2	0.6	0.3
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	6.7	6.2	5.8
Other	<u>0.4</u>	<u>0.4</u>	<u>0.3</u>
Total operating revenues	\$ <u>14.2</u>	\$ <u>13.9</u>	\$ <u>12.9</u>

Tuition and fees increased in fiscal year 2017 by \$0.2 million compared to fiscal year 2016. This increase in tuition and fees is a result of an increase in the student activity fee and the implementation of the new student athletic fee. The student body approved an increase in the student activity fee from \$6.75/credit hour to \$10/credit hour. The student body also approved a new student athletic fee of \$10/credit hour. Further, the technology fee was increased from \$150 to \$173.94 per term. The increase in tuition and fees was offset by a decrease of \$0.3 million in scholarship allowance, an increase of \$0.5 million in tuition discounts and an increase of \$0.2 million in bad debt. Auxiliary enterprises increased in fiscal year 2017 by \$0.5 million compared to fiscal year 2016. This increase is a result of an increase in the standard double occupancy room rate ranges from \$1,533-\$2,285 to \$1,700-\$2,355. The unlimited meal plan rate was also increased from \$1,502 to \$1,580.

In fiscal year 2016, operating revenues increased slightly from fiscal year 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.

Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In Millions)		
Compensation	\$ 23.7	\$ 24.0	\$ 24.6
Benefits	9.7	7.0	6.4
Contractual services	8.7	8.3	6.7
Supplies and materials	1.5	1.5	1.8
Depreciation and amortization	5.8	5.8	6.0
Utilities/communications	1.8	1.9	1.9
Scholarships and fellowships	0.2	0.2	0.2
Other	<u>3.6</u>	<u>3.1</u>	<u>3.0</u>
Total operating expenses	<u>\$ 55.0</u>	<u>\$ 51.8</u>	<u>\$ 50.6</u>

Operating expenses in 2017 increased to \$55.0 million from \$51.8 million in 2016. The largest component of operating expenses is compensation which decreased by \$0.3 million compared to 2016. The largest increase in expenses was in benefits which grew by \$2.7 million from 2016. This increase was due to an increase in net pension expense related to GASB Statements No. 68 and No. 71. Contractual services increased by \$0.4 million primarily due to an increase in the facilities management expenses which began midway in fiscal year 2016. Other expenses increased by \$0.5 million due primarily to the return of unmatched land grant funds to the Department of Agriculture. All other categories predominately remained steady.

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.

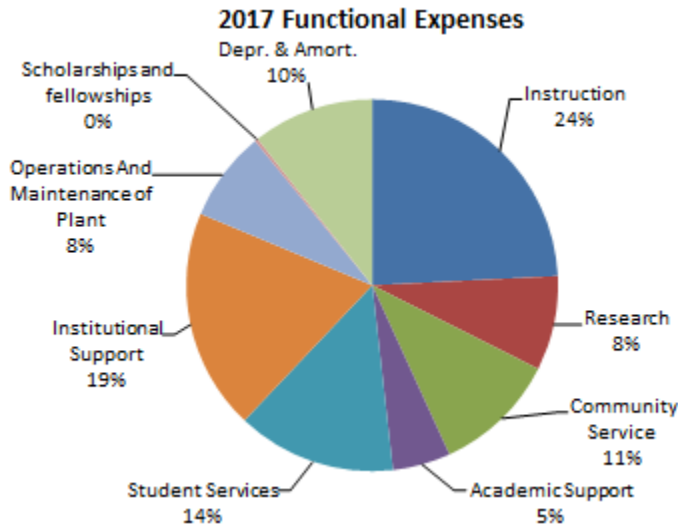
In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2017, 2016 and 2015, is as follows:

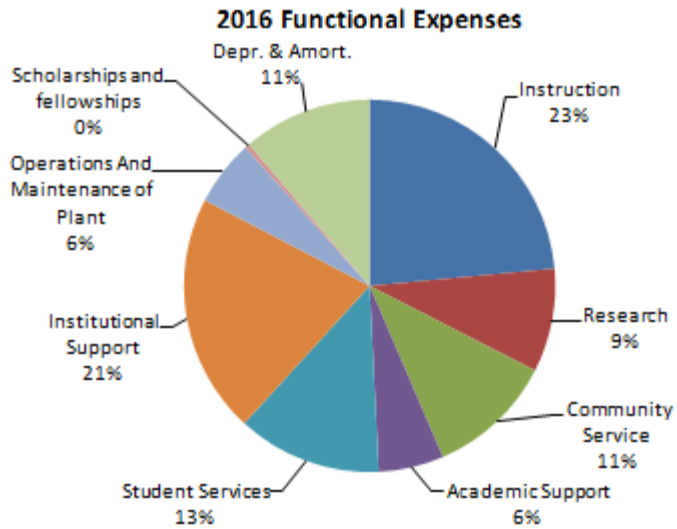
Expenses by Functional Category

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In Millions)		
Instruction	\$ 13.3	\$ 12.2	\$ 11.5
Research	4.5	4.7	5.3
Community service	5.9	5.7	6.0
Academic support	2.8	2.9	2.5
Student services	7.6	6.5	5.7
Institutional support	10.6	10.8	9.3
Operations and maintenance of plant	4.3	3.0	4.1
Scholarships and fellowships	0.2	0.2	0.2
Depreciation and amortization	<u>5.8</u>	<u>5.8</u>	<u>6.0</u>
 Total expenses	 <u>\$ 55.0</u>	 <u>\$ 51.8</u>	 <u>\$ 50.6</u>

The University's total operating expenses directly support the primary mission of the University: Instruction, Research and Community Service. In 2017, the total of these three categories was \$23.7 million or 43.1% of the total expenses compared to \$22.6 million or 43.6% of total expenses in 2016.

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, 2017, 2016 and 2015:

Nonoperating Revenues and Expenses

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In Millions)		
State appropriations	\$ 18.1	\$ 18.3	\$ 18.1
Federal grants and contracts	20.3	21.0	20.0
State grants and contracts	0.3	0.3	0.3
Interest on indebtedness	(1.0)	(1.0)	(1.2)
Investment income	0.1	0.1	0.1
Other	<u>1.3</u>	<u>1.5</u>	<u>1.6</u>
Total nonoperating revenues and expenses	<u>\$ 39.1</u>	<u>\$ 40.2</u>	<u>\$ 38.9</u>

Federal grants and contracts is the largest component of the University's nonoperating revenues followed by state appropriations. The federal grants and contracts decreased by \$0.7 million in 2017 due primarily to the end of the prior 1890 Facilities Grant and the delay of the expenditure of the current 1890 Facilities Grant due to the fire at the Dickinson Research Center.

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, 2017, 2016 and 2015:

Cash Flows

	2017	2016	2015
	(In Millions)		
Cash Provided by (Used in)			
Operating activities	\$ (33.1)	\$ (32.3)	\$ (32.0)
Noncapital financing activities	39.1	39.7	39.7
Capital and related financing activities	(5.6)	(6.1)	(4.6)
Investing activities	4.2	1.8	(1.3)
Net Increase in Cash and Cash Equivalents	4.6	3.1	1.8
Cash and Cash Equivalents, Beginning of the Year	7.6	4.5	2.7
Cash and Cash Equivalents, End of the Year	\$ 12.2	\$ 7.6	\$ 4.5

In fiscal year 2017, cash and cash equivalents increased by \$4.6 million compared to 2016. Approximately \$33.1 million of cash was used for operating activities, offset by \$39.1 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and federal and state grants and contract revenues received for other than capital purposes.

The change in operating activities in 2017 was an overall increase in cash used of \$0.8 million. The change in operating activities relates to the overall increase in cash used for expenses, a decrease in cash provided by tuition and fees, and a decrease in cash provided by federal grants and contracts offset by an increase in auxiliary enterprise activities.

There was a decrease in cash received from noncapital financing activities in 2017 of \$0.6 million. The change in noncapital financing activities was affected by the decrease in state appropriations as well as the decrease in federal grants and contracts.

The net decrease in cash used for capital and related financing activities in 2017 compared to 2016 was \$0.5 million. The change was due to a decrease in cash from capital state appropriations as well as an increase in cash used for purchases of capital assets and capital improvement projects offset by the receipt of revenue bond proceeds.

Cash provided by investing activities in fiscal year 2017 was \$4.2 million compared to \$1.8 million in 2016. This is an increase of \$2.4 million. By comparison, the University purchased \$3.2 million more in investments, while the sales of investments increased by \$5.6 million. The University employs an investment strategy to maximize investment opportunities. While interest rates continue to improve, investment opportunities are limited. Interest revenue increased by 16% in fiscal year 2017 compared to 2016. 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 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 in 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.

Capital Assets

At June 30, 2017, the University had approximately \$87.5 million invested in capital assets, net of accumulated depreciation of approximately \$104.3 million. At June 30, 2016, the University had approximately \$83.4 million invested in capital assets, net of accumulated depreciation of approximately \$99.0 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, 2017, 2016 and 2015.

Capital Assets, Net

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In Millions)		
Land and land improvements	\$ 7.7	\$ 6.8	\$ 7.0
Buildings	73.9	66.8	68.8
Furniture, fixtures and equipment	3.8	3.9	4.0
Infrastructure	0.3	0.3	0.5
Library materials	0.1	0.1	0.1
Construction in progress	<u>1.7</u>	<u>5.5</u>	<u>0.6</u>
Total capital assets, net	<u>\$ 87.5</u>	<u>\$ 83.4</u>	<u>\$ 81.0</u>

Major construction projects that began in fiscal year 2016 and/or fiscal year 2017 and were completed in fiscal year 2017 include the Small Ruminant Building construction (\$620,158), 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 (\$1,160,214), Leslie Plaza Marketing Design Center (\$203,651), design of the reconstruction of Dickinson Research Center due to a fire (\$123,500), renovations to the President's Residence (\$562,984), various exterior renovations (masonry tuckpointing) projects (\$430,799), construction of the LINC Recreation and Wellness Center (\$12,398,599), Founders Hall and Martin Luther King Hall restroom renovations project (\$703,571) and Martin Hall revitalization (\$2,371,587). These projects were funded by local funds, insurance funds, the 1890 Facilities grant, Title III, funds received from the City of Jefferson Parks and Recreation Department, House Bill 19 funds from the State for deferred maintenance and bond funding.

Major projects that began in fiscal year 2017 and will be completed in fiscal year 2018 include the lower level build-out of the LINC Recreation and Wellness Center for Athletics (\$852,333), Myrtle Smith Livingston Tennis Court replacement (\$542,800), Beef Hoop Facility at Carver Farm (\$113,887) and Reed Stadium renovations (\$2,102,000). These projects are funded by local funds, USTA grants, research grant funds, funds received from the City of Jefferson Parks and Recreation Department, House Bill 19 funds from the State for deferred maintenance and bond funding.

Revenue Bonds

As of June 30, 2017, the University had approximately \$24.3 million in outstanding revenue bonds compared to \$23.0 million in 2016, an increase of \$1.3 million. This increase was due to the issuance of Athletic System Revenue Bonds, Series 2017 in the amount of \$2.5 million which provided resources to renovate or enhance existing athletic facilities offset by the reduction of previously issued bonds by \$1.3 million in bond payments.

Revenue Bond Debt

	2017	2016	2015
	(In Millions)		
Revenue bonds	\$ <u>24.3</u>	\$ <u>23.0</u>	\$ <u>22.6</u>

Student Enrollment

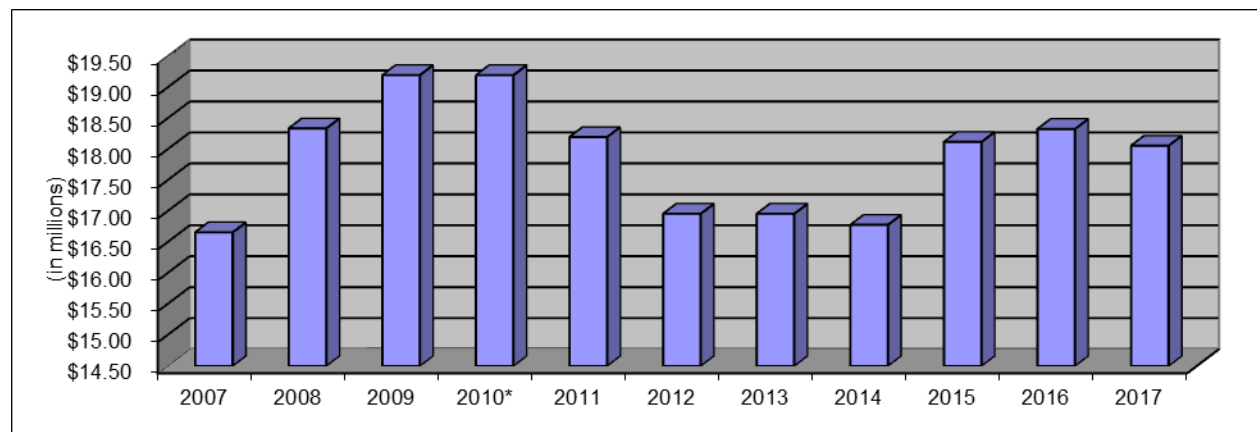
Following are highlights of student demographics for the fall 2016, 2015 and 2014 semesters of fiscal years 2017, 2016 and 2015, respectively.

	2017	2016	2015
Undergraduate	2,618	2,821	2,977
Graduate	<u>120</u>	<u>123</u>	<u>140</u>
Total students	<u>2,738</u>	<u>2,944</u>	<u>3,117</u>
Full-time	1,902	2,027	2,089
Part-time	836	917	1,028
Male	1,167	1,318	1,354
Female	1,571	1,626	1,763
Credit hours generated	32,191	34,318	34,026
Student full-time equivalent	2,160	2,301	2,284
Resident	911	931	880
Commuter	<u>1,827</u>	<u>2,013</u>	<u>2,237</u>
Total students	<u>2,738</u>	<u>2,944</u>	<u>3,117</u>

	2017	2016	2015
In-state	2,164	2,373	2,628
Out-state	510	504	427
International	<u>64</u>	<u>67</u>	<u>62</u>
Total students	<u>2,738</u>	<u>2,944</u>	<u>3,117</u>
Total number of degrees awarded	379	342	394
Number of students in dual-credit courses	461	515	526
Associate degree programs	6	8	8
Undergraduate degree programs	45	47	47
Graduate degree programs	<u>14</u>	<u>13</u>	<u>13</u>
Total degree programs	<u>65</u>	<u>68</u>	<u>68</u>

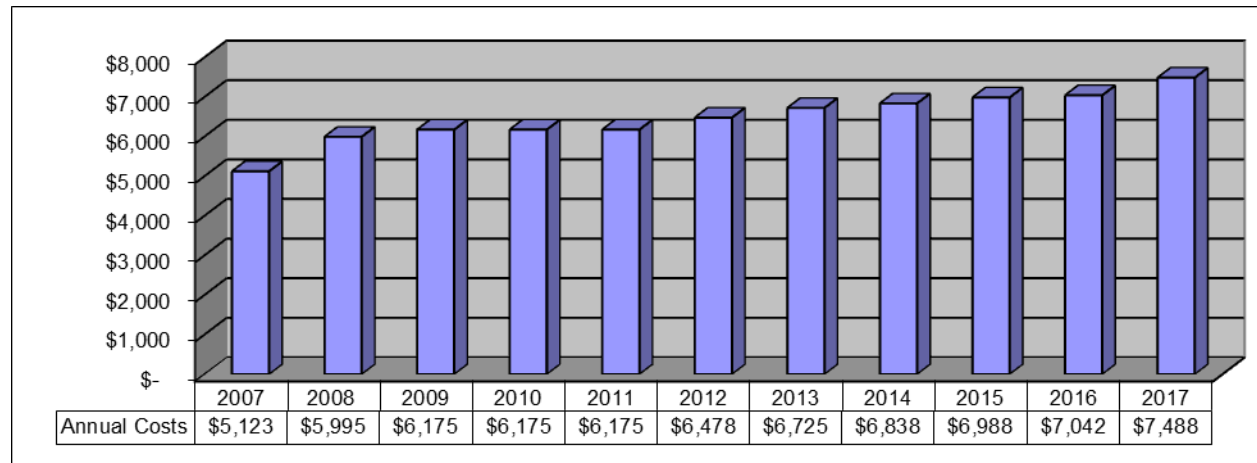
Trends

State Appropriations by Fiscal Year

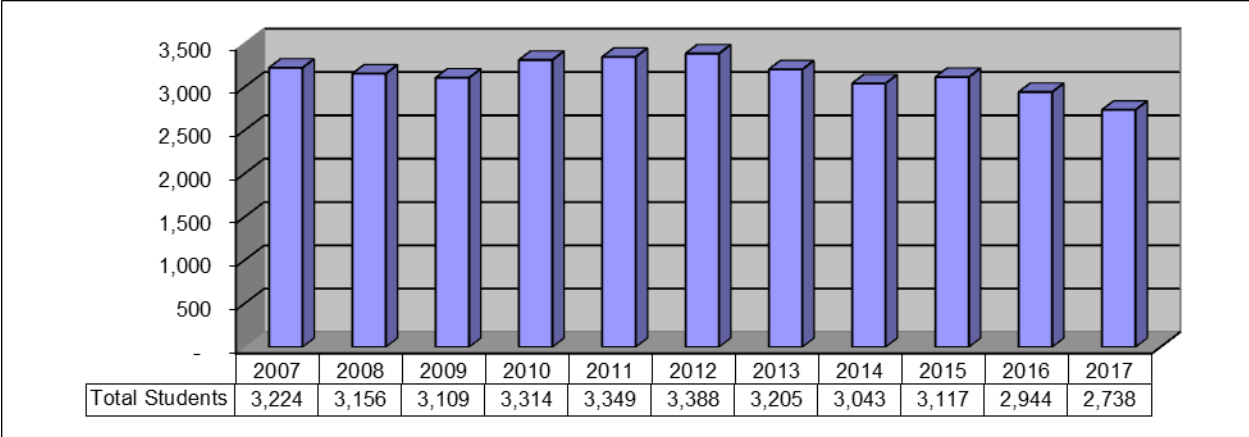


*Excludes the one-time state appropriations for the Caring for Missourian program.

Full-Time Resident Tuition and Required Fees per Year



Student Enrollment for Fall Semesters by Fiscal Year



Fiscal Year 2018 Outlook

General Fund Operating Budget

The Lincoln University Board of Curators approved a \$35.5 million general fund operating budget for fiscal year 2018. State appropriations are the largest component of the 2018 budget. In 2018, the University anticipates state appropriations of \$19,274,087. Although this amount reflects a 9.8% decrease in base appropriations from the amount received in fiscal year 2017, the University received an increase in appropriations for the land grant match. Of the total state appropriation budget, \$3,191,610 is earmarked to support the University’s 1890 land grant match.

Capital Projects

Upcoming projects identified for design and/or construction during fiscal year 2018 include the construction of a new Dickinson Research Center, new satellite Extension Office in Sikeston, Missouri, various HVAC renovations to include Founders Hall chiller replacement and Dawson Hall chiller replacement, Mitchell Hall rehabilitation project and Pawley Theatre renovation project. Projects will be funded by Title III, 1890 Facilities grant funds, local funds, state appropriation, insurance proceeds and National Park Service grant funding.

During fiscal year 2017, Information Technology Services began upgrading the network and wireless backbone for the entire campus. This work will continue in fiscal year 2018 and also include voice/voicemail systems.

Other Significant Factors

On August 7, 2017, the University was notified by the Higher Learning Commission (HLC) that its mid-cycle accreditation report was accepted. The comprehensive evaluation with reaffirmation of accreditation is set for 2022-2023. Lincoln University is reviewed for accreditation based on HLC’s Standard Pathway.

The Accreditation Commission for Education in Nursing (ACEN) accredited the Bachelor of Science in Nursing (BSN) program after a site visit in November 2015. The entire nursing program will be reviewed for reaccreditation in October 2017. The new BSN program graduated its first class in December 2016.

The School of Business is evaluated for accreditation by the Accreditation Council for Business Schools and Programs (ACBSP) and was reaffirmed by a vote of the Board of Commissioners in April 2017. Lincoln University was notified of the reaffirmation on August 16, 2017.

Lincoln University's Social Work program was accredited by the Council on Social Work Education (CSWE) in 2013. The program is up for reaffirmation of its accreditation in 2018.

The University is currently reviewing all of its academic programs.

In June 2017, Dr. Kevin D. Rome, 19th President of Lincoln University, resigned. A presidential search firm was chosen to assist the University in the selection of a new president. A committee made up of members of the University Board of Curators, faculty, staff, students, alumni, elected officials and stakeholders was established to review qualified applicants. The committee anticipates that a new president will be selected in 2018. Until a new president is appointed Mr. Michael A. Middleton was selected as the Interim President. Mr. Middleton most recently served as Interim President of the University of Missouri System.

Lincoln University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 12,117,242	\$ 7,560,692
Short-term investments	9,400,075	13,358,713
Accounts receivable, net of allowance; 2017 – \$588,901, 2016 – \$517,900	1,582,648	1,513,528
Federal and state grants receivable	3,511,530	3,401,408
State appropriations receivable	69,974	442,903
Capital project receivable	609,341	1,005,230
Revenue bonds proceeds receivable	2,232,552	2,079,994
Prepaid expenses	12,144	15,450
Other	151,513	110,763
Total current assets	29,687,019	29,488,681
Noncurrent Assets		
Restricted cash equivalents	85,625	25,955
Restricted investments	1,368,446	1,374,525
Long-term investments	-	107,000
Short-term endowment investments	336,965	354,000
Long-term endowment investments	1,218,000	1,198,453
Bond insurance costs	410,742	431,279
Capital assets, net	87,526,862	83,402,305
Total noncurrent assets	90,946,640	86,893,517
Total assets	120,633,659	116,382,198
Deferred Outflows of Resources		
Loss on refunding of bonds	247,530	303,574
Deferred outflows of resources related to pension	13,648,509	5,361,467
Total deferred outflows of resources	13,896,039	5,665,041

Liabilities

	2017	2016
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,134,520	\$ 4,409,228
Accrued compensated absences	821,080	785,254
Postemployment benefit obligation	51,352	57,684
Unearned revenue	1,851,147	1,992,372
Current portion of long-term debt	<u>1,707,702</u>	<u>1,425,859</u>
Total current liabilities	<u>7,565,801</u>	<u>8,670,397</u>
Noncurrent Liabilities		
Deposits held in custody for others	49,045	94,769
Accrued compensated absences	404,413	568,632
Postemployment benefit obligation	11,797	14,170
Long-term debt	23,981,188	23,226,612
Net pension liability	<u>38,177,503</u>	<u>27,798,365</u>
Total noncurrent liabilities	<u>62,623,946</u>	<u>51,702,548</u>
Total liabilities	<u>70,189,747</u>	<u>60,372,945</u>

Deferred Inflows of Resources

Deferred inflows of resources related to pension	<u>1,303,822</u>	<u>549,810</u>
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Net Position

Net investment in capital assets	66,560,689	62,077,089
Restricted nonexpendable for endowment	51,564	56,352
Restricted expendable for		
Research	228,883	184,648
Debt service	60,662	9,964
Term endowment	1,346,909	1,335,395
Other	1,793,502	1,698,349
Unrestricted	<u>(7,006,080)</u>	<u>(4,237,313)</u>
Total net position	<u>\$ 63,036,129</u>	<u>\$ 61,124,484</u>

Lincoln University
A Component Unit of the State of Missouri
Lincoln University Foundation, Inc.
Statements of Financial Position
June 30, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	\$ 994,745	\$ 659,409
Contributions receivable	112,285	30,013
Accrued investment income	1,567	1,800
Investments	8,680,267	7,660,625
Cash surrender value of life insurance	5,495	6,090
Total assets	\$ 9,794,359	\$ 8,357,937

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 35,559	\$ 75,992
Note payable	228,629	248,629
Total liabilities	264,188	324,621

Net Assets

Unrestricted	155,109	102,677
Temporarily restricted	4,785,574	3,620,959
Permanently restricted	4,589,488	4,309,680
Total net assets	9,530,171	8,033,316
Total liabilities and net assets	\$ 9,794,359	\$ 8,357,937

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$9,115,970 – 2017 and \$9,362,321 – 2016, and bad debt expense of \$351,940 – 2017 and \$213,577 – 2016)	\$ 6,765,232	\$ 6,598,235
Federal grants and contracts	185,281	538,565
State grants and contracts	29,800	36,040
Sales and services of educational activities	54,881	72,414
Auxiliary enterprises (net of scholarship allowances of \$464,574 – 2017 and \$372,224 – 2016, and bad debt expense of \$87,928 – 2017 and \$53,394 – 2016)	6,668,233	6,205,336
Other	470,266	468,441
	<u>14,173,693</u>	<u>13,919,031</u>
Operating Expenses		
Compensation and benefits	33,406,296	30,952,575
Contractual services	8,742,898	8,341,241
Travel	1,600,191	1,506,172
Supplies and materials	1,463,512	1,473,162
Scholarships and fellowships	153,224	211,384
Depreciation and amortization	5,814,983	5,835,376
Communications	110,867	127,612
Utilities	1,722,525	1,724,679
Other	2,011,332	1,611,279
	<u>55,025,828</u>	<u>51,783,480</u>
Operating Loss	<u>(40,852,135)</u>	<u>(37,864,449)</u>
Nonoperating Revenues (Expenses)		
State appropriations	18,063,885	18,333,768
Federal grants and contracts	20,312,797	21,009,512
Recovery of administrative costs	16,735	1,235
State and local grants and contracts	297,522	346,678
Contributions	-	44,235
Student fees for capital projects	691,834	757,555
Loss on disposal of capital assets	(218,755)	(4,677)
Investment income	140,480	121,431
Interest on capital asset-related debt	(1,042,289)	(1,099,321)
Other nonoperating revenues	871,373	739,007
	<u>39,133,582</u>	<u>40,249,423</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ (1,718,553)	\$ 2,384,974
Gain on Dickinson Research Facility Fire	1,604,224	53,775
Capital Appropriations - State	1,065,285	2,817,954
Capital Grants and Gifts	<u>960,689</u>	<u>708,418</u>
Increase in Net Position	1,911,645	5,965,121
Net Position, Beginning of Year	<u>61,124,484</u>	<u>55,159,363</u>
Net Position, End of Year	<u><u>\$ 63,036,129</u></u>	<u><u>\$ 61,124,484</u></u>

Lincoln University
A Component Unit of the State of Missouri
Lincoln University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support				
Contributions	\$ 166,356	\$ 633,755	\$ 251,139	\$ 1,051,250
Special events	104,685	16,060	-	120,745
Investment return	1,321	1,007,171	28,669	1,037,161
Other revenue	149,445	-	-	149,445
	<u>421,807</u>	<u>1,656,986</u>	<u>279,808</u>	<u>2,358,601</u>
Net assets released from restrictions	<u>492,371</u>	<u>(492,371)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>914,178</u>	<u>1,164,615</u>	<u>279,808</u>	<u>2,358,601</u>
Expenses				
Program services				
Scholarships	209,323	-	-	209,323
Direct payments	258,233	-	-	258,233
	<u>467,556</u>	<u>-</u>	<u>-</u>	<u>467,556</u>
Support services				
Management and general	122,072	-	-	122,072
Fundraising	272,118	-	-	272,118
	<u>394,190</u>	<u>-</u>	<u>-</u>	<u>394,190</u>
Total expenses	<u>861,746</u>	<u>-</u>	<u>-</u>	<u>861,746</u>
Change in net assets	52,432	1,164,615	279,808	1,496,855
Net Assets, Beginning of Year	<u>102,677</u>	<u>3,620,959</u>	<u>4,309,680</u>	<u>8,033,316</u>
Net Assets, End of Year	<u>\$ 155,109</u>	<u>\$ 4,785,574</u>	<u>\$ 4,589,488</u>	<u>\$ 9,530,171</u>

See Notes to Financial Statements

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 602,203	\$ -	\$ -	\$ 602,203
106,630	14,525	-	121,155
360	(8,008)	14,001	6,353
<u>2,630</u>	<u>124,352</u>	<u>1,343</u>	<u>128,325</u>
711,823	130,869	15,344	858,036
<u>584,085</u>	<u>(567,031)</u>	<u>(17,054)</u>	<u>-</u>
<u>1,295,908</u>	<u>(436,162)</u>	<u>(1,710)</u>	<u>858,036</u>
272,588	-	-	272,588
<u>594,966</u>	<u>-</u>	<u>-</u>	<u>594,966</u>
<u>867,554</u>	<u>-</u>	<u>-</u>	<u>867,554</u>
132,801	-	-	132,801
<u>285,562</u>	<u>-</u>	<u>-</u>	<u>285,562</u>
<u>418,363</u>	<u>-</u>	<u>-</u>	<u>418,363</u>
<u>1,285,917</u>	<u>-</u>	<u>-</u>	<u>1,285,917</u>
9,991	(436,162)	(1,710)	(427,881)
<u>92,686</u>	<u>4,057,121</u>	<u>4,311,390</u>	<u>8,461,197</u>
<u>\$ 102,677</u>	<u>\$ 3,620,959</u>	<u>\$ 4,309,680</u>	<u>\$ 8,033,316</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Tuition and fees	\$ 6,454,615	\$ 6,848,665
Grants and contracts	215,081	574,605
Payments to suppliers	(16,113,434)	(15,213,848)
Payments to employees	(30,729,948)	(30,926,367)
Sales and services of auxiliary enterprises	6,633,673	5,928,711
Sales and services of educational activities	54,881	72,414
Other receipts and deposits	383,792	416,817
	<u>(33,101,340)</u>	<u>(32,299,003)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	18,063,885	18,333,768
Gifts and grants for other than capital purposes	20,155,166	20,674,714
Other receipts	888,108	740,242
	<u>39,107,159</u>	<u>39,748,724</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
State appropriations for capital improvements	1,438,214	2,375,051
Capital grants and gifts	1,405,446	710,223
Student fees for capital projects	691,834	757,555
Purchase of capital assets	(10,608,599)	(7,690,340)
Insurance proceeds from building fire	1,739,666	911,790
Building fire cleanup payments	(135,442)	(281,126)
Proceeds from capital debt	2,347,442	4,044,118
Principal paid on capital debt	(1,462,097)	(5,887,839)
Interest paid on capital debt	(1,015,748)	(1,061,971)
	<u>(5,599,284)</u>	<u>(6,122,539)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Investment income	140,480	121,431
Proceeds from sales and maturities of investments	27,427,032	21,802,564
Purchases of investments	(23,357,827)	(20,152,112)
	<u>4,209,685</u>	<u>1,771,883</u>
Net cash provided by investing activities		
Increase in Cash and Cash Equivalents	4,616,220	3,099,065
Cash and Cash Equivalents, Beginning of Year	<u>7,586,647</u>	<u>4,487,582</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,202,867</u>	<u>\$ 7,586,647</u>

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 12,117,242	\$ 7,560,692
Restricted cash equivalents	85,625	25,955
Total cash and cash equivalents	\$ 12,202,867	\$ 7,586,647
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (40,852,135)	\$ (37,864,449)
Depreciation and amortization	5,814,983	5,835,376
Changes in operating assets and liabilities		
Receivables, net	(209,596)	(613,757)
Prepaid expenses, bond insurance costs and other assets	5,306	(1,253)
Accounts payable and accrued liabilities	(531,889)	278,263
Accrued compensated absences	(128,393)	(121,391)
Net pension liability	2,846,108	189,064
Deposits held in custody for others	(45,724)	(856)
Net Cash Used in Operating Activities	\$ (33,101,340)	\$ (32,299,003)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 1,309,415	\$ 2,208,212
Capital project receivable incurred for construction in progress	609,341	1,005,230

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2017 and 2016

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

Nature of Operations

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017 and 2016, 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, 2017 and 2016

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, 2017 and 2016, the outstanding balance due to the University was \$609,341 and \$1,005,230, 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 \$20,537 and \$25,771 for the years ended June 30, 2017 and 2016, respectively.

Deferred Outflows of Resources

The University reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2017 and 2016

Capital Assets

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

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

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>2017</u>	<u>2016</u>
Total interest expense incurred on borrowings for project	\$ 34,067	\$ 1,405
Interest income from investment of proceeds of borrowings for project	<u>-</u>	<u>-</u>
Net interest cost capitalized	<u>\$ 34,067</u>	<u>\$ 1,405</u>
Interest capitalized	\$ 34,067	\$ 1,405
Interest charged to expense	<u>1,042,289</u>	<u>1,099,321</u>
Total interest incurred	<u>\$ 1,076,356</u>	<u>\$ 1,100,726</u>

In July 2015, the Dickinson Research Facility was substantially damaged in a fire. The University received insurance recoveries totaling \$1,739,666 during the year ended June 30, 2017. Additional noncapitalized expenses of \$135,442 were incurred during the year ended June 30, 2017, resulting in a gain of \$1,604,224 recognized in the statement of revenues, expenses and changes in net position. 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 during the year ended June 30, 2016, resulting in a gain of \$53,775 recognized in the statement of revenues, expenses and changes in net position.

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Compensated Absences

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

Unearned Revenue

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

Cost-Sharing Defined Benefit Pension Plan

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

Deferred Inflows of Resources

The University reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Net Position

Net position of the University is classified in four components. 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

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

Classification of Revenues

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

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

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

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.

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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.

During the years ended June 30, 2017 and 2016, the Foundation distributed \$124,090 and \$155,764 to the University for both restricted and unrestricted purposes, respectively. During 2017 and 2016, the University transferred \$74,084 and \$0, respectively, of endowment funds to the Foundation for management purposes. During 2017, the University received Soldier's Memorial from the Foundation with a net book value of \$714,335. 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.

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At June 30, 2017 and 2016, the University's bank balances were \$14,126 and \$10,131, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2017 and 2016.

Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements.

At June 30, 2017 and 2016, the University had the following investments and maturities:

Type	Fair Value	June 30, 2017			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Repurchase agreements	\$ 12,097,016	\$ 12,097,016	\$ -	\$ -	\$ -
Certificates of deposit	6,632,965	5,414,965	1,218,000	-	-
U.S. Treasury obligations	1,498,965	1,498,965	-	-	-
Money market treasury funds	25,426	25,426	-	-	-
Government-sponsored enterprises obligations	4,191,557	4,191,557	-	-	-
	<u>\$ 24,445,929</u>	<u>\$ 23,227,929</u>	<u>\$ 1,218,000</u>	<u>\$ -</u>	<u>\$ -</u>

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Type	Fair Value	June 30, 2016			
		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>

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, 2017 and 2016, the University’s investments in government-sponsored enterprises obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor’s and Aaa by Moody’s Investor Service.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the University’s investments in repurchase agreements at June 30, 2017 and 2016, 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, 2017 and 2016, the University’s investments in government-sponsored enterprises obligations of the follow entities constituted the following percentages of total investments:

	2017	2016
Federal Home Loan Mortgage Corporation (FHLMC)	9%	9%
Federal Home Loan Bank (FHLB)	2%	17%
Federal Farm Credit Bank (FFCB)	7%	8%

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Summary of Carrying Values

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

	2017	2016
Carrying value		
Deposits	\$ 80,424	\$ 15,232
Investments	24,445,929	23,964,106
	<u>\$ 24,526,353</u>	<u>\$ 23,979,338</u>

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

	2017	2016
Cash and cash equivalents	\$ 12,117,242	\$ 7,560,692
Short-term investments	9,400,075	13,358,713
Restricted cash equivalents	85,625	25,955
Restricted investments	1,368,446	1,374,525
Long-term investments	-	107,000
Short-term endowment investments	336,965	354,000
Long-term endowment investments	1,218,000	1,198,453
	<u>\$ 24,526,353</u>	<u>\$ 23,979,338</u>

Investment Income

Investment income for the years ended June 30, 2017 and 2016, consisted of:

	2017	2016
Interest and dividend income	\$ 98,579	\$ 93,150
Net realized and unrealized losses on investments	41,901	28,281
	<u>\$ 140,480</u>	<u>\$ 121,431</u>

Note 3: Endowment Funds

The University's endowment funds are substantially composed of term endowment funds received from the U.S. Department of Education Title III program and state matching funds of \$1,104,000. The grant provisions require the University to maintain the endowment corpus for 20 years. After

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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, 2017 and 2016, \$0 was transferred out of the endowment fund to the operating fund.

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2017 and 2016, were:

	Beginning Balance	2017			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 3,785,153	\$ 102,838	\$ -	\$ -	\$ 3,887,991
Land improvements	5,775,014	885,165	326,120	228,812	6,562,871
Buildings and improvements	133,123,221	6,165,738	-	5,076,897	144,365,856
Infrastructure	4,140,518	296,513	-	-	4,437,031
Furniture, fixtures and equipment	27,875,134	1,202,194	344,250	4,358	28,737,436
Library materials	2,158,969	148	-	-	2,159,117
Construction in progress	5,586,863	1,599,924	201,364	(5,310,067)	1,675,356
	<u>182,444,872</u>	<u>10,252,520</u>	<u>871,734</u>	<u>-</u>	<u>191,825,658</u>
Less accumulated depreciation					
Land improvements	2,705,762	254,898	211,422	-	2,749,238
Buildings and improvements	66,327,816	4,064,024	-	-	70,391,840
Infrastructure	3,841,015	234,706	-	-	4,075,721
Furniture, fixtures and equipment	24,016,309	1,237,062	326,796	-	24,926,575
Library materials	2,151,665	3,757	-	-	2,155,422
	<u>99,042,567</u>	<u>5,794,447</u>	<u>538,218</u>	<u>-</u>	<u>104,298,796</u>
Net capital assets	<u>\$ 83,402,305</u>	<u>\$ 4,458,073</u>	<u>\$ 333,516</u>	<u>\$ -</u>	<u>\$ 87,526,862</u>

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	Beginning Balance	Additions	2016		Ending Balance
			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>

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Note 5: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2017 and 2016:

	Beginning Balance	2017		Ending Balance	Current Portion
		Additions	Deductions		
Long-term debt					
Revenue bonds payable					
Series 2007	\$ 17,645,000	\$ -	\$ 505,000	\$ 17,140,000	\$ 525,000
Series 2015A	3,020,410	-	645,539	2,374,871	651,836
Series 2015B	2,366,632	-	117,920	2,248,712	112,365
Series 2017	-	2,500,000	19,437	2,480,563	240,798
Loan payable - DNR					
Energize MO	1,589,266	-	174,201	1,415,065	177,703
Reoffering premium	31,163	-	1,484	29,679	-
Total long-term debt	<u>24,652,471</u>	<u>2,500,000</u>	<u>1,463,581</u>	<u>25,688,890</u>	<u>1,707,702</u>
Other noncurrent liabilities					
Accrued compensated absences	1,353,886	691,858	820,251	1,225,493	821,080
Deposits held in custody for others	94,769	8,191	53,915	49,045	-
Postemployment benefit obligation	71,854	42,647	51,352	63,149	51,352
Net pension liability	<u>27,798,365</u>	<u>13,082,126</u>	<u>2,702,988</u>	<u>38,177,503</u>	<u>-</u>
Total other noncurrent liabilities	<u>29,318,874</u>	<u>13,824,822</u>	<u>3,628,506</u>	<u>39,515,190</u>	<u>872,432</u>
Total noncurrent liabilities	<u>\$ 53,971,345</u>	<u>\$ 16,324,822</u>	<u>\$ 5,092,087</u>	<u>\$ 65,204,080</u>	<u>\$ 2,580,134</u>

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	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>

Revenue Bonds Payable

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 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%,

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respectively, beginning June 1, 2016. Principal maturities begin June 1, 2016, and continue until 2025. Proceeds from the issuance of the Series 2015A bonds were used to pay the costs of refunding the Auxiliary System Revenue Bonds, Series 2005, and to pay certain costs of issuance related to the Series 2015A bond issue. Proceeds from the issuance of the Series 2015B bonds were used to provide funds to pay costs associated with the renovation of Martin Hall and to pay certain costs of issuance related to the Series 2015B bond issue. The Martin Hall renovation costs are paid by the University and then the University is reimbursed by disbursement of the bond proceeds. 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 at June 30, 2016. As of June 30, 2017, the total bond proceeds had been disbursed to the University.

On February 15, 2017, the University issued \$2,500,000 of Athletic System Revenue Bonds, Series 2017. The Series 2017 bonds bear interest, payable quarterly, at a rate of 3.25%, beginning June 1, 2017. Principal maturities begin March 1, 2018, and continue until 2027. Proceeds from the issuance of the Series 2017 bonds were used to provide funds to pay costs associated with the improvement of certain athletic facilities and to pay certain costs of issuance related to the Series 2017 bond issue. The athletic facilities include Dwight T. Reed Stadium and Annex and the basement level of the LINC Recreation and Wellness Center. The athletic facilities improvement costs are paid by the University, and then the University is reimbursed by disbursement from the bond proceeds. As of June 30, 2017, the total bond proceeds disbursed to the University were \$267,448. The balance of \$2,232,552 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 Debt Service Reserve Funds and maintain a Debt Service Coverage Ratio of 1.15.

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

The debt service requirements as of June 30, 2017, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2018	\$ 2,574,150	\$ 1,529,999	\$ 1,044,151
2019	2,568,200	1,571,099	997,101
2020	2,562,355	1,613,527	948,828
2021	2,381,345	1,482,997	898,348
2022	2,142,787	1,295,795	846,992
2023 - 2027	9,590,922	6,125,729	3,465,193
2028 - 2032	6,924,094	4,655,000	2,269,094
2033 - 2037	6,917,869	5,970,000	947,869
	<u>\$ 35,661,722</u>	<u>\$ 24,244,146</u>	<u>\$ 11,417,576</u>

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Loan Payable

The University has a loan payable with the Missouri Department of Natural Resources (MDNR), dated June 14, 2012, in the maximum amount of \$1,863,000 bearing interest at 2%. 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, 2017, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	205,120	192,427	12,693
2023 - 2025	504,748	490,107	14,641
	<u>\$ 1,530,348</u>	<u>\$ 1,415,065</u>	<u>\$ 115,283</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

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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 28.

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, 2017, 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, 2016 and 2015, was 16.97% and 16.97%, respectively, which are the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$2,734,246 and \$2,702,988 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017 and 2016, the University reported a liability of \$38,177,503 and \$27,798,365, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, 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, 2016 and 2015. At June 30, 2016, the University's proportion was 0.8224%, which was a decrease of 0.0436% from its proportion measured as of June 30, 2015. 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.

There were no changes in benefit terms during the MOSERS plan years ended June 30, 2016 and 2015, respectively, that affected the measurement of total pension liability.

For the years ended June 30, 2017 and 2016, the University recognized pension expense of \$5,580,354 and \$2,885,237, respectively. At June 30, 2017 and 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 393,189	\$ 111,544
Changes of assumptions	3,975,020	229,474
Net difference between projected and actual earning on pension plan investments	6,237,818	-
Changes in University proportion and differences between the University's contributions and the University proportionate share of contributions	308,236	962,804
University's contributions subsequent to the measurement date	<u>2,734,246</u>	<u>-</u>
Total	<u>\$ 13,648,509</u>	<u>\$ 1,303,822</u>

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	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	2,702,988	-
Total	\$ 5,361,467	\$ 549,810

At June 30, 2017 and 2016, the University reported \$2,734,246 and \$2,702,988, 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, 2018 and 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2017, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2018	\$ 2,464,177
2019	2,443,144
2020	3,612,203
2021	1,090,917
	\$ 9,610,441

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Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.75% including inflation
Wage inflation	3.00%
Investment rate of return	7.65%, compounded annually, net after investment expenses and including inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS Board made various demographic and economic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 8.00% to 7.65% and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.50% to 8.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2016, are summarized in the following table:

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Asset Class	Policy Allocation	Long-Term Expected Real Rate of Return *	Weighted Average Long-Term Expected Real Rate of Return
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 7.65% and 8.00% at June 30, 2016 and 2015, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	\$ 50,270,660	\$ 38,177,503	\$ 28,038,433

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Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2017 and 2016, the University reported a payable of \$7,685 and \$8,580, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2017 and 2016, 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 5.67% and 5.89% of annual covered payroll for 2017 and 2016, respectively. The University's contributions to the plan for the years ended June 30, 2017 and 2016, were \$267,019 and \$268,058, respectively, which equaled the required contributions for each year.

Note 7: Postemployment Health Care Plan

Plan Description

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

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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, 2017 and 2016, the University contributed \$51,352 and \$57,684, respectively, to the plan for premiums of 18 and 18 professor emeritus retirees, respectively. The University's contributions represented 100% of total 2017 and 2016 premiums. During the years ended June 30, 2017 and 2016, the University did not have any retirees in the pre-65 health insurance plan.

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	2,515
Adjustment to the annual required contribution	(3,775)
Annual OPEB expense	<u>42,647</u>
Employer contributions made	<u>51,352</u>
Decrease in net OPEB obligation	(8,705)
Net OPEB obligation at June 30, 2016	<u>71,854</u>
Net OPEB obligation at June 30, 2017	<u>\$ 63,149</u>

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The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2017 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, 2015	\$ 49,000	120.1%	\$ 87,159
June 30, 2016	\$ 42,379	136.1%	\$ 71,854
June 30, 2017	\$ 42,647	120.4%	\$ 63,149

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	<u>-</u>
Total unfunded actuarial accrued liability (UAAL)	<u><u>\$ 807,535</u></u>
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.

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Actuarial Methods and Assumptions

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

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

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

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, 2017 and 2016, there was no accrual recorded in the statements of net position.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Labor Agreement

Approximately 19% of the University's employees are included in a collective bargaining unit. The University is currently in negotiations with the collective bargaining unit to formulate a collective bargaining agreement.

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Note 9: Risk Management

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

Note 10: Natural Classifications with Functional Classifications

For the years ended June 30, 2017 and 2016, the following tables represent operating expenses with both natural and functional classifications:

	2017						
	Compensation and Benefits	Contractual Services	Travel	Supplies and Materials	Utilities	Communications and Other	Total
Instruction	\$ 12,322,781	\$ 397,083	\$ 205,138	\$ 165,125	\$ 337	\$ 224,891	\$ 13,315,355
Research	2,948,302	620,760	117,224	227,232	145,078	467,596	4,526,192
Community service	4,722,806	473,852	302,931	129,472	97,070	188,639	5,914,770
Academic support	2,101,486	310,788	66,903	70,731	2,819	220,095	2,772,822
Student services	5,022,408	1,062,178	671,538	398,600	718	461,882	7,617,324
Institutional support	6,027,441	3,485,729	237,166	118,183	160,416	554,298	10,583,233
Operations and maintenance of plant	261,072	2,392,508	(709)	354,169	1,316,087	4,798	4,327,925
Scholarships and fellowships	-	-	-	-	-	-	153,224
Depreciation and amortization	-	-	-	-	-	-	5,814,983
	<u>\$ 33,406,296</u>	<u>\$ 8,742,898</u>	<u>\$ 1,600,191</u>	<u>\$ 1,463,512</u>	<u>\$ 1,722,525</u>	<u>\$ 2,122,199</u>	<u>\$ 55,025,828</u>

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	Compensation and Benefits	Contractual Services	Travel	2016 Supplies and Materials	Utilities	Communications and 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>

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.

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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, 2017 and 2016:

Description	Total	2017		
		Level 1	Level 2	Level 3
Money market treasury funds	\$ 25,426	\$ 25,426	\$ -	\$ -
U.S. Treasury obligations	1,498,965	1,498,965	-	-
Government-sponsored enterprises obligations	<u>4,191,557</u>	<u>-</u>	<u>4,191,557</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 5,715,948</u>	<u>\$ 1,524,391</u>	<u>\$ 4,191,557</u>	<u>\$ -</u>

Description	Total	2016		
		Level 1	Level 2	Level 3
Money market treasury funds	\$ 25,955	\$ 25,955	\$ -	\$ -
Government-sponsored enterprises obligations	1,760,088	1,760,088	-	-
	<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>

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.

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Contributions

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

	2017	2016
Contributions due within one year	\$ 112,285	\$ 34,463
Less allowance for uncollectible pledges	-	(4,450)
Net contributions receivable	\$ 112,285	\$ 30,013

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, 2017 and 2016, with an estimated value of \$190,471 and \$154,625, respectively.

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

Investments

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

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The aggregate amount of investments summarized by major type at June 30, 2017 and 2016, was as follows:

	2017	
	Cost	Fair Value
Fixed income securities	\$ 1,699,725	\$ 1,706,141
Equity securities	5,107,119	6,591,565
Real asset mutual funds	384,998	382,561
	<hr/>	<hr/>
Total investments	<u>\$ 7,191,842</u>	<u>\$ 8,680,267</u>
	2016	
	Cost	Fair Value
Fixed income securities	\$ 1,452,214	\$ 1,462,203
Equity securities	4,884,448	5,483,606
	682,407	714,816
	<hr/>	<hr/>
Total investments	<u>\$ 7,019,069</u>	<u>\$ 7,660,625</u>

Investment return consisted of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Dividends and interest	\$ 213,753	\$ 276,863
Realized gains and losses	(25,881)	(63,666)
Unrealized gains and losses	849,289	(206,844)
	<hr/>	<hr/>
Total investment return	<u>\$ 1,037,161</u>	<u>\$ 6,353</u>

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Note Payable

On July 15, 2015, the Foundation signed a promissory note in the amount of \$248,629. The note payable bears interest at a variable rate with quarterly interest payments due beginning on October 15, 2015, and with any remaining accrued interest and principal due in full on the date of maturity, July 15, 2016. The note was extended on July 15, 2016, with similar terms, to July 15, 2017. The note balance was \$228,629 and \$248,629 at June 30, 2017 and June 30, 2016, respectively. Interest expense totaled \$9,079 and \$8,579 for the years ended June 30, 2017 and 2016, respectively. The note was extended on July 11, 2017, to July 15, 2018, with similar terms.

Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, are available for the following purposes:

	2017	2016
KJLU radio station	\$ 201,761	\$ 189,064
Lincoln University athletic programs	(30,379)	(160,161)
Lincoln University academic departments	69,832	43,746
Other Lincoln University programs	53,532	34,839
Lincoln University capital projects maintenance	28,331	44,663
General assistance for Lincoln University students	3,938	6,111
Loan funds for Lincoln University students	7,423	5,433
General support of Lincoln University	84,378	41,995
Scholarships for Lincoln University students	4,366,758	3,415,269
	<u>\$ 4,785,574</u>	<u>\$ 3,620,959</u>

Permanently restricted net assets consisted of the following at June 30, 2017 and 2016:

	2017	2016
Scholarships for Lincoln University students	\$ 4,589,488	\$ 4,309,680
	<u>\$ 4,589,488</u>	<u>\$ 4,309,680</u>

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Endowment Funds

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 3,018,672	\$ 4,589,488	\$ 7,608,160
	<u>\$ -</u>	<u>\$ 3,018,672</u>	<u>\$ 4,589,488</u>	<u>\$ 7,608,160</u>
	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>

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 Level 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
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Notes to Financial Statements
June 30, 2017 and 2016

The Foundation's assets measured at fair value on a recurring basis as of June 30, 2017 and 2016, aggregated by the level in the fair value hierarchy within which those measurements fall, were as follows:

Description	2017			
	Total	Level 1	Level 2	Level 3
State and municipal bonds	\$ 108,171	\$ -	\$ 108,171	\$ -
Fixed income mutual funds	1,597,970	1,597,970	-	-
Real asset mutual funds	382,561	382,561	-	-
Equity mutual funds				
Growth funds	1,959,298	1,959,298	-	-
Mid-cap blend funds	811,784	811,784	-	-
Value funds	976,304	976,304	-	-
Index funds	976,274	976,274	-	-
International funds	1,361,069	1,361,069	-	-
Emerging markets funds	506,836	506,836	-	-
Total equity mutual funds	<u>6,591,565</u>	<u>6,591,565</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 8,680,267</u>	<u>\$ 8,572,096</u>	<u>\$ 108,171</u>	<u>\$ -</u>

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>

Note 13: Subsequent Events

Subsequent events have been evaluated through October 25, 2017, which is the date the financial statements were available to be 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
Last Three Fiscal Years*

	2017	2016	2015
University's proportion of the net pension liability	0.8224%	0.8660%	0.8448%
University's proportionate share of the net pension liability	\$ 38,177,503	\$ 27,798,365	\$19,918,271
University's covered-employee payroll	\$ 15,928,030	\$ 16,754,310	\$15,852,748
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.69%	165.92%	125.65%
Plan fiduciary net position as a percentage of the total pension liability	63.60%	72.62%	79.49%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,734,246	\$ 2,702,988	\$ 2,843,875	\$ 2,757,130
Contributions in relation to the contractually required contribution	<u>2,734,246</u>	<u>2,702,988</u>	<u>2,843,875</u>	<u>2,757,130</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered employee payroll	\$ 16,112,220	\$ 15,928,030	\$ 16,754,310	\$ 15,852,748
Contributions as a percentage of covered employee payroll	16.97%	16.97%	16.97%	17.39%

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

Notes to Schedule:

Benefit Changes

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

Changes of Assumptions

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

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

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

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

Lincoln University
A Component Unit of the State of Missouri
Required Supplementary Information
Schedule of Funding Progress for Postemployment Health Care Plan
June 30, 2017

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%

Supplementary Information

Lincoln University
A Component Unit of the State of Missouri
Auxiliary System Revenue Fund
Schedules of Revenues and Expenses
Years Ended June 30, 2017 and 2016

	2017					Total
	Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	
Revenues						
Residence hall contracts	\$ 3,843,052	\$ -	\$ -	\$ -	\$ -	\$ 3,843,052
Housing system appropriation	691,834	-	-	-	-	691,834
Food service	-	3,200,661	-	-	-	3,200,661
Bookstore	-	-	91,239	-	-	91,239
Other	-	-	-	62,711	-	62,711
Vending	-	-	-	23,072	-	23,072
	<u>4,534,886</u>	<u>3,200,661</u>	<u>91,239</u>	<u>85,783</u>	<u>-</u>	<u>7,912,569</u>
Direct Expenses						
Salaries and wages	335,520	-	-	80,147	34,496	450,163
Fringe benefits	117,639	4,920	-	30,266	5,693	158,518
Equipment purchases	1,326	-	-	1,858	-	3,184
Contractual services	623,030	2,114,437	1,133	-	120,575	2,859,175
Travel	11,282	-	-	-	-	11,282
Supplies, cost of sales	50,480	-	-	3,416	-	53,896
Communications	10,090	(7,251)	(1,332)	1,033	1,713	4,253
Utilities	666,377	-	-	-	271	666,648
Other operating	510,667	67	-	7,850	-	518,584
	<u>2,326,411</u>	<u>2,112,173</u>	<u>(199)</u>	<u>124,570</u>	<u>162,748</u>	<u>4,725,703</u>
Excess (Deficiency) of Revenues Over Direct Expenses	<u>\$ 2,208,475</u>	<u>\$ 1,088,488</u>	<u>\$ 91,438</u>	<u>\$ (38,787)</u>	<u>\$ (162,748)</u>	<u>3,186,866</u>
Indirect Expenses						
Bad debts						87,928
Audit						11,475
Revenue bond trust fees						-
						<u>99,403</u>
Excess of Revenues Over Expenses						3,087,463
Mandatory Transfer for Principal and Interest on Indebtedness						(2,239,748)
Transfer In						-
Nonmandatory Transfer to Plant Fund						<u>(787,562)</u>
Net Increase (Decrease) for the Year						60,153
Net Position, Beginning of Year						<u>3,518,986</u>
Net Position, End of Year						<u>\$ 3,579,139</u>

Residence Halls	2016				Student Union	Total
	Cafeteria	Bookstore	Vending and Other			
\$ 3,565,069	\$ -	\$ -	\$ -	\$ -	\$ 3,565,069	
757,555	-	-	-	-	757,555	
-	2,928,679	-	-	-	2,928,679	
-	-	75,000	-	-	75,000	
-	-	-	42,346	-	42,346	
-	-	-	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>	
411,335	-	-	66,124	36,843	514,302	
131,046	225	-	21,072	9,485	161,828	
7,268	18,849	-	-	211	26,328	
675,554	1,997,821	567	-	73,301	2,747,243	
61,734	-	-	519	64	62,317	
44,733	-	-	602	4,162	49,497	
9,735	676	(72)	1,016	1,693	13,048	
648,719	-	-	-	-	648,719	
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>	
<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>	
					53,394	
					11,640	
					-	
					<u>65,034</u>	
					2,635,413	
					(2,243,686)	
					-	
					<u>(438,305)</u>	
					(46,578)	
					<u>3,565,564</u>	
					<u>\$ 3,518,986</u>	

Lincoln University
A Component Unit of the State of Missouri
Athletic Facilities Revenue Fund
Schedule of Revenues and Expenses
Year Ended June 30, 2017

Revenues

Student athletic fees	\$ 281,240
Student athletic fees	(300)
Student experience expenses	<u>280,940</u>
Net student athletic fees	280,940
Football ticket sales	-
Facility rental fees	-
Sponsorships	-
Donations	-
Other	-
	<u><u>280,940</u></u>

Direct Expenses

Property insurance	-
Building maintenance	-
Custodial and grounds	-
Utilities	-
	<u><u>-</u></u>

Excess of Revenues Over Direct Expenses 280,940

Mandatory Transfer for Principal and Interest on Indebtedness (80,286)

Net Increase for the Year 200,654

Net Position, Beginning of Year -

Net Position, End of Year \$ 200,654

This schedule presents revenues and expenses of the Athletic Facilities Revenue Fund for the year ended June 30, 2017. Capital improvements funded by the Athletic System Revenue Bonds were not yet completed at June 30, 2017, therefore direct expenses for the operation of the Athletic Facilities are not presented above for the year ended June 30, 2017.

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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		\$ -	\$ 6,376,715
Federal Work-Study Program	84.033		-	275,868
Federal Supplemental Educational Opportunity Grants	84.007		-	73,380
Federal Direct Student Loans	84.268		-	14,564,453
			<u>-</u>	<u>21,290,416</u>
Research and Development Cluster				
U.S. Department of Agriculture				
Cooperative Research, Education and Extension Service	10.205		-	2,531,053
A Practical Approach to Integrating Nanotechnology Education into Agriculture & Environmental Science Curriculum	10.216		-	23,513
Mentoring Students in Natural Resources to Meet the Triple Challenge of Managing Invasive Species and Rare Species in a Changing Climate	10.216		-	13,463
Sustainable Market Development & Resource Use for Specialty Crops	10.216		8,408	17,967
Quantifying the Impact of Soil Health Management Practices on Soil Properties, Nutrient Cycling and Plant Growth	10.912		-	7,193
Quantifying the Impact of Soil Health Management Practices on Soil Properties, Nutrient Cycling and Plant Growth	10.914		-	1,439
Quantifying the Impact of Soil Health Management Practices on Soil Properties, Nutrient Cycling and Plant Growth	10.924		-	959
Socio-Economic Factor & Adoption of Energy Crops	10.310		8,065	16,805
Safeguard Fresh & Fresh-Cut Vegetables in Situ Through Anti-pathogen Endophytic Bacillus Subtilis	10.310		-	9,136
Students Training Students: Educating Tomorrow's Consumers Today	10.216		-	19,276
High Through-Put NanoSensor for Accurate & Sensitive Detection of E-Coli	10.310		47,591	97,702
Hydrologic Regime & Nitrogen Cycling: Understanding the Difference Between Claypan and Loess Watersheds in Missouri	10.216		80,956	227,144
Prediction & Control of the Performance of Anaerobic Digestion of Animal Manure through Metagenomics for Renewable Energy	10.216		928	78,787
Determination of Dietary Indispensable Amino Acid Requirements for Juvenile Bluegill	10.216		-	100,815
Integrated Research in Single E-Coli Cell Detection & Interactive Education to Build Capacity in Food Safety & Security	10.216		68,676	126,395
Recruitment/Retention at Lincoln University through Experiential Learning, Curriculum Development/Changes and Partnerships with Missouri High Schools	10.216		-	77,565
Evaluation of Soilless Root Support Substrates for Control of Nitrate & Phosphorus Pollution from Vegetable Production in Non-Recirculating Hydroponic Systems	10.216		-	43,391
Innovative Methods to Improve the Sensitivity of Nanosensors for Detection of Biomolecules in Food Systems	10.310		-	37,902
Pathogen Detection System	10.000		-	27,025
Increased Body Mass Index Resulting in Decreased Oral Fat Sensitivity: Implications in Biomarkers of Obesity and Metabolic Syndrome	10.216		-	2,530
Use of Simulation Modules to Enhance Learning Chemistry and its Applications in Agriculture and Environmental Sciences	10.216		-	680

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued)				
U.S. Department of Agriculture				
Families Integrating Nature, Conservation & Agriculture - The FINCA Model	10.216		-	51,233
Collaboration with K-12 Institutions & Community Colleges to Enhance Recruitment & Retention in Agriculture & Environmental Sciences	10.216		-	47,225
On-Farm and Ranch Education of New and Beginning Latino Producers in Missouri	10.215		-	12,669
SCRIP Kenya-Tomato Foliar Diseases	10.961		-	14,611
Improving Phytosanitary, Monitoring and Control Methods for Selected Invasive Insect Pests Threatening U.S. Specialty Crops	10.001		29,000	41,247
U.S. Department of Agriculture/Iowa State University				
Climate Change, Mitigation and Adaptation in Corn-Based Cropping Systems	10.310	416-40-63A	-	5,858
Developing Genetically Fast Growing Monosex Male Populations of Bluegill	10.200	416-40-93F	-	3,421
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	13,685	13,685
U.S. Department of Agriculture/Missouri Department of Agriculture				
Evaluating Production & Value-Added Potential of Wild Leek and Other Native Greens	10.170	6	-	7,591
Evaluating Plant Volatile Organic Compounds as Potential Species-Specific Attractants in the Spotted Wing Drosophila Monitoring Traps	10.170	7	4,671	9,917
Using Biocontrol Agents to Combat Soil-Borne Vegetable Diseases in Missouri	10.170	16SCBGPMO0003	-	9,033
U.S. Department of Agriculture/University of Maryland Eastern Shore				
Food & Agricultural Sciences: Preparing Future Graduate Students	10.216	2011-CBG-20577	-	817
U.S. Department of Agriculture/University of Minnesota				
Detection and Prevention of Footrot Outbreak in Sheep and Goats	10.215	H004403706	-	47,301
Improving Weight Gain in Goats Grazing on Cover Crops Selected through Soil Health Samples	10.215	H004403719	-	12,439
National Science Foundation				
A Model for Achieving Success in STEM (AMASS)	47.076		-	202,077
Applying Performance Pyramid to STEM Education	47.076		-	20,319
Applying Performance Pyramid to STEM Education (Participant Costs)	47.076		-	525
Collaborative Research: Structure & Quaternary Kinematics of Amagmatic Rifting in the Central Afar Triple Junction	47.050		-	43,733
Catalyst Project: Computational Research on Music & Audio	47.076		-	26,241
Catalyst Project: Computational Research on Music & Audio (Participant Costs)	47.076		-	38,521

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued)				
National Science Foundation/University of Missouri				
The Missouri Transect: Climate, Plants & Community	47.079	C00043573-5	\$ -	\$ 38,090
The Missouri Transect: Climate, Plants & Community	47.083	C00043573-5	-	173,520
Collaborative Research on Plant Stress Response Through Innovations in Pnemonics and Molecular Imaging Techniques	47.079	C00045071-2	-	17,804
National Science Foundation/Harris-Stowe State University				
MoSLAMP	47.076	1619639	-	2,523
Department of Health and Human Services/Iowa State University				
Strategy for Successful Implementation of FSMA in the North Central Region through Adoption of a Systems Approach and Stakeholder Engagement Framework	93.103	430-30-01B	-	7,788
			<u>261,980</u>	<u>4,308,928</u>
Special Education Cluster				
U.S. Department of Education/Missouri Department of Higher Education				
Missouri Drop Out Project	84.027	None	-	2,339
Highway Safety Cluster				
Department of Transportation National Highway Traffic Safety Administration/Missouri Department of Transportation/University of Missouri				
PIP - Partners in Prevention	20.600	None	-	974
Department of Transportation National Highway Traffic Safety Administration/Missouri Department of Transportation/University of Central Missouri				
Click It or Ticket (CIOT) Enforcement Campaign	20.600	SAF083-0404	-	50
Youth Alcohol Enforcement Campaign	20.616	SAF085-0404	-	159
			<u>-</u>	<u>1,183</u>
Cooperative Extension Service				
U.S. Department of Agriculture				
Cooperative Extension Programs	10.500		-	2,946,863
Satellite & Off-Campus Enhancement & Expansion	10.500		-	9,669
RREA – Renewable Resource Extension Account	10.500		-	11,884
EFNEP – Expanded Food Nutritional Program	10.500		-	91,510
CES: Capital Improvements	10.500		-	(1,075)
U.S. Department of Agriculture/University of Minnesota				
NCR - SARE	10.500	0001106019	-	11,408
U.S. Department of Agriculture/University of Missouri				
Assistive Technology Program for Farmers with Disabilities	10.500	C00048679-2	-	4,951
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	-	4,997
			<u>-</u>	<u>3,080,207</u>
Wildlife Services				
U.S. Department of Agriculture				
Fiscal Year 2017 Wildlife Initiative Program	10.028		-	6,632
U.S. Department of Agriculture/Tuskegee University				
Feral Swine Outreach	10.028	None	-	19,283
			<u>-</u>	<u>25,915</u>

The accompanying notes are an integral part of this Schedule.

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Soil and Water Conservation				
U.S. Department of Agriculture				
Enhancing Farm Profitability & Livelihood of Minority & Limited Resource Farmers, Agricultural Producers and the Rural Community in the Designated Strike-Force Counties of Missouri Partnership to Reach Underserved Landowners and Producers	10.902		\$ -	\$ 76,079
Enhancing Natural Resource Management Capabilities through the LU GIS Center of Excellence	10.902		-	11,675
	10.902		-	21,734
			-	109,488
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers				
U.S. Department of Agriculture				
Enhancing Farm Profitability & Livelihood of Minority and Socially Disadvantaged Farmers and Ranchers and Veterans	10.443		-	68,351
Enhancing Farm Profitability & Livelihood of Minority & Socially Disadvantaged Farmers & Ranchers & Veteran Farmers & Ranchers in Southeast Missouri	10.443		-	52,345
			-	120,696
Cochran Fellowship Program-International Training-Foreign Participant				
U.S. Department of Agriculture				
CFP - Ukraine Dairy Farm Management & Animal Health	10.962		48,699	53,569
CFP - Beef Production, Slaughtering & Processing	10.962		42,503	46,753
2016 Cochran Fellowship Progra-Georgia Fisheries Management	10.962		9,533	10,486
			100,735	110,808
U.S. Department of Agriculture				
McIntire Stennis Cooperative Forestry Act Funds	10.202		-	1,949
2014 Farm Bill - Producer Education - Lincoln University Extension Services	10.000		-	400
Ag Discovery Summer Enrichment Program	10.025		-	31,035
U.S. Department of Agriculture/University of Vermont				
21st Century Management: Enhancing Educational Programming for Beginning Women Farmers	10.311	29903SUB51959	-	2,171
U.S. Department of Agriculture/University of Missouri				
Missouri IPM Program	10.329	C00048575-1	-	28,980

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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	\$ -	\$ 352,927
Implementation of Violence Prevention Strategy	93.136	AOC16380122	-	47,478
U.S. Department of Health and Human Services/University of Kansas The Heartland Sexual Assault Policies & Prevention on Campuses Project	93.008	FY2017-015	-	4,425
Higher Education Institutional Aid				
U.S. Department of Education				
Title III SAFRA - Fiscal Year 10 Awards	84.031		-	616,245
Title III - Fiscal Year 12 Awards	84.031		-	3,620,494
Title III SAFRA - Fiscal Year 15 Awards	84.031		-	944,850
			-	5,181,589
U.S. Department of Education/Mineral Area College Carl D Perkins Grant	84.048	163-163 / 117-117	-	10,858
NASA/Missouri University of Science and Technology Missouri Space Grant Consortium	43.001	C00029558-07	-	115
Missouri Space Grant Consortium	43.008	C00029558-07	-	7,574
Institute of Museum and Library Services/Missouri State Library Digital Imaging	45.310	2016-LSD6- DIG16CN6-8284	-	10,903
Small Business Administration/University of Missouri Missouri Small Business Development Center	59.000	C00051641-3 C00055924	-	27,663
U.S. Department of Defense Office of the Secretary of Defense Outsourcing the Academic Phase of Training for the U.S. Army Prime Power School	12.630		-	185,281
Acquisition of MALDI TOF Mass Spectrometry (BIOTYPER) for the Enhancement of Research & Education at Lincoln University	12.630		-	199,900
			-	385,181
U.S. Department of State/IREX Mandela Washington Fellowship for Young African Leaders Institute	19.009	FY16-YALI- BE-Lincoln-01	-	61,583
U.S. Department of Energy/North Carolina A&T State University Pipeline Development of Skilled Workforce Through Advanced Manufacturing	81.000	270111F	-	29,797
U.S. Environmental Protection Agency K-12 Science Teacher Training Workshops	66.808		-	16,672
U.S. Department of Homeland Security/Oak Ridge Institute for Science and Education A Surveillance Study on the Prevalence of Brucellosis and Pseudorabies in Feral Swine	97.000	None	-	1,355
			<u>\$ 362,715</u>	<u>\$ 35,252,635</u>

Lincoln University
A Component Unit of the State of Missouri
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Lincoln University under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Federal Direct Student Loan balances are not included in the University’s financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule.

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, 2017, 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, 2017. 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.

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

Board of Curators
Lincoln University

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Organization's management in a separate letter dated October 25, 2017.

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, 2017

Report on Compliance for the 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 the 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 Lincoln University's major federal program for the year ended June 30, 2017. The University's major federal program is 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 Lincoln University's major federal program 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 the major federal program. However, our audit does not provide a legal determination on the University's compliance.

Opinion on the Major Federal Program

In our opinion, Lincoln University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Board of Curators
Lincoln University

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-001 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, 2017

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

7. The University's major program was:

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

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, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
2017-001	<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 2016-2017</p> <p style="text-align: center;">Criteria or Specific Requirement – Special Tests: Enrollment Reporting 34 CFR Sections 690.83 (b)(2) and 685.309</p> <p>Condition – Twenty-three student enrollment status changes were not communicated to the National Student Loan Data System (NSLDS) on a timely basis or were reported incorrectly.</p> <p>Questioned costs – None</p> <p>Context – Out of a population of 1,907 student enrollment status changes requiring notification transmitted to NSLDS, a sample of 40 student enrollment status changes was selected for testing. Six student enrollment changes were not reported within the required 60-day requirement. Eight student enrollment changes were not reported to NSLDS. Five student enrollment changes were not reported with the correct enrollment level. Four student enrollment changes were not reported with the correct effective date. 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 – The Registrar's Office does not have adequate processes and controls around enrollment reporting to ensure reporting is accurate and timely.</p> <p>Identification as a repeat finding – 2016-002</p>

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
2017-001 (Continued)	<p>Recommendation – The Registrar's Office should review its processes and controls around enrollment reporting and consider substantial changes to address this recurring finding.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We concur with the finding and recommendation. Therefore, The Office of the Registrar will monitor submission files periodically by reviewing a sample of student enrollment changes for proper reporting to ensure that accurate and timely submissions are made to NSLDS.</p> <p>In addition to this, Ms. Karen Thompson has now been assigned the duties of submitting these monthly submissions and she will periodically review Enrollment Reporting Summary Report from NSLDS to monitor the resolution of errors in batches reported to NSLDS along with contacting a suggested school to discuss their process.</p>

Lincoln University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Reference Number	Summary of 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>Status – Resolved.</p>

Lincoln University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Reference Number	Summary of Finding
2016-002	<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 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>Status – Unresolved. See Finding 2017-001. The University did not implement corrective processes in order to prevent reoccurrence during fiscal year 2017 and had additional issues reporting students' enrollment levels in fiscal year 2017.</p>